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THE W. T. GRIMM & CO.

MERGERSTAT® REVIEW 1985

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INTRODUCTION

Founded in 1951, W. T. Grimm & Co. is one of the oldest firms in the country specializing in the merger, purchase or sale of established companies. We enjoy an international reputation as a leader in developing merger and acquisition transactions in all branches of industry and have implemented hundreds of assignments for owners of companies seeking a merger or sale of their business or for corporations seeking acquisitions.

Instituted in 1963, the W. T. Grimm & Co. Research Department was initially established to educate and to keep the firm's professional staff posted on changing merger trends, prices, P/Es, etc. It maintains a detailed account of every "publicly announced" merger-acquisition-divestiture and has thus far recorded a grand total of 68,557 transactions.

In addition to recording the identities of buyer and seller and other items, the price paid, the form of payment, the price earnings ratio paid, the premium paid over market and the price to book are computed for every transaction disclosing the requisite information. Each transaction is then classified into one of 50 industry categories. Such a data base provides a quick reference to the range of merger prices and ratios with respect to the industry classification of the seller.

Buyer and seller clients of W. T. Grimm & Co. have always received the benefit of this valuable data which guides the client to a merger price indicative of the industry served. The merger data bank contains invaluable information on the buying habits of many companies and is one of the many sources utilized in finding a buyer for a specific type of business.

With the publication of each year's Mergerstat Review, we have demonstrated our commitment to meeting your research needs by continually improving and publishing a more extensive volume. Our 1985 edition follows in the same tradition by further incorporating more data, analyses and commentary. The 1985 Transaction Roster, for instance, contains a listing of 526 acquisitions, 81% larger than 1984's listing of 291. Part of this increase is due to a higher rate of acquisition activity in 1985. At the same time, however, our Research Department has been able to obtain earnings information for a much larger number of banks and bank holding companies than in previous years. The Banking & Finance section of the 1985 Transaction Roster contains 178 transactions, compared with 25 in 1984. We trust the new additions and improvements will result in an even more informative and interesting volume.

The W. T. Grimm & Co. Research Department can prepare special studies and reports on a contract basis tailored to the individual needs of the client. Our Research Department will be pleased to accommodate your requests for information of a specialized nature.

Please feel welcome to contact us with comments or inquiries regarding our research and intermediary services.

Willard T. Grimm
Chairman

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Vice President-Research

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NET MERGER AND ACQUISITION ANNOUNCEMENTS*

1985 — A Twelve-Year Record

A twelve-year record was established in 1985 when net merger and acquisition announcements totalled 3,001, the highest count since 1973 when 4,040 were recorded. During this twelve-year period, net merger and acquisition announcements reached a low of 1,889 in 1980, rebounded to 2,395 and 2,346 in 1981 and 1982, rose further to 2,533 in 1983, and finally increased 18% over 2,543 in 1984 to 3,001 in 1985.

Six major factors have been instrumental in stimulating merger and acquisition activity during the last three years: (1) the challenges of a new economic environment, (2) the availability of undervalued targets, (3) the 1981 Economic Recovery Tax Act, (4) bank deregulation, (5) the antitrust stance of the Reagan Administration, and (6) structural changes in various industries.

The 1980s ushered in an economic environment characterized by disinflation, high real interest rates, increased global competition, and rapid technological advances which simultaneously create new markets and weaken others. Corporate managers responded by initiating aggressive cost-cutting and marketing strategies. These strategies included asset liquidation and redeployment programs. Stressing more efficient and leaner operations to withstand the pressures of changing economic and market conditions, corporate managers implemented divestiture programs. Moreover, while selling off unrelated or unprofitable assets, managers also acquired businesses that extended or complemented their core product lines. This corporate restructuring has contributed to a higher level of merger and acquisition activity.

Due to the stock market's undervaluation of corporate assets, there were ample acquisition opportunities for both hostile and friendly suitors. Despite the Dow Jones Industrial Average's historic rise from a low of 776.92 in 1982 to a high of 1553.10 in 1985, the stock market continued to value assets of companies at a discount from replacement value. The availability of undervalued companies transformed the task of finding acquisition candidates into a very manageable assignment.

Financing acquisitions also became simpler. By permitting companies to write off newly acquired assets at a much faster rate, the 1981 Economic Recovery Tax Act increased cash flows which, in turn, provided corporations with the resources to finance the acquisition of other businesses.

**The W. T. Grimm & Co. Research Department records publicly announced formal transfers of ownership of at least 10% of a company's assets or equity where the purchase price is at least $500,000, and where one of the parties is a U.S. company. These transactions are recorded as they are announced, not as they are completed. Cancelled transactions are deducted from total announcements in the period in which the cancellation occurred, resulting in net merger-acquisition announcements for that period. Cancellation totals appear on page 140. Unless otherwise noted, all merger-acquisition statistics contained in the following pages reflect completed or pending transactions as of the end of the applicable period.*

Bank deregulation, in the meantime, further provided additional sources of acquisition funds. Following the deregulation of financial services, banks, no longer able to carry low interest deposits, were instead attracting customers with expensive money market accounts and other high-cost funds. Bank profits were further weakened by the development of the commercial paper market, as corporate borrowers bypassed banks and issued commercial paper. Avoiding high risk third world loans, banks were obliged to locate new sources of high yielding income. Banks, therefore, began aggressively pursuing the more lucrative area of acquisition financing.

In addition to the commercial banks' participation, the creation of pooled funds has been another growing factor in bringing capital to the acquisition market, particularly the leveraged buyout market. Also noteworthy are the recent usage of junk bond financing and an increasing willingness among foreign financial institutions to participate in acquisition funding.

Coinciding with the increase in acquisition funding sources, there has also been a greater tolerance of debt-financed transactions. By encouraging debt and penalizing equity capital, tax laws have helped to foster an increasing acceptance of high debt ratios. The interest deduction gives debt financing a clear advantage over equity financing. Incurring debt helps to shelter pretax earnings, while equity-financed profits are subject to corporate taxation. Should a company decide to pay out dividends, they must be paid with aftertax income and are subject to taxation a second time on an individual basis.

The easing of antitrust rules has played an important role in enhancing merger and acquisition activity, particularly the larger-sized deals. The Justice Department's Antitrust Division instituted policies which reflect the Reagan Administration's free-market approach. Stressing the irrelevancy of size and the importance of efficiency, the Justice Department in 1982 issued its merger guidelines which permitted vertical combinations between suppliers and customers. Horizontal mergers between competitors were made easier by raising the level of market concentration at which Justice would challenge a deal.

Structural changes in certain industries have also fueled business combinations. Deregulation has been prominent in the transportation, financial and broadcasting industries. The railroad and trucking industries have experienced major combinations in the past few years, as relaxed ICC restrictions enhanced competition in both areas. The effects of the unrelenting competitiveness between air carriers were finally felt in 1985, as the airline industry witnessed the onset of consolidation.

Financial deregulation has spurred combinations among banks, savings and loans, insurers, brokerage firms, and other financial service-oriented concerns, all competing to become financial supermarkets. Moreover, as barriers to interstate banking continued to erode, larger bank consolidations accelerated. Large regional banks are merging in order to compete with the money-center banks. Regional combinations which originated in New England, are now spreading to other parts of the country, especially the Southeast. Further stimulating bank acquisitions was the U.S. Supreme Court decision in June, 1985 which ruled that regional interstate banking laws enacted by states were constitutional. By the end of 1985, interstate bank acquisitions were no longer a rarity.

In December, 1984, the Federal Communications Commission adopted a less restrictive rule governing the ownership of television and radio stations. The new ruling, which went into effect April 1, 1985, allows broadcasters to own as many as 12 stations (12TV, 12AM, 12FM), as long as their combined audience reach is less than 25% each of all television viewers and radio listeners. The previous rule had prohibited the ownership of more than seven TV, seven AM, and seven FM stations. The broadcasting industry not only experienced an increase in acquisition activity, but also witnessed some of the largest transactions in its history.

Commentary on additional industries and a further analysis of merger-acquisition trends appear throughout the remaining chapters.

NET MERGER-ACQUISITION ANNOUNCEMENTS
1963-1985

Year	Number	Year to Year Percentage Change
1963	1,361	
1964	1,950	+43%
1965	2,125	+ 9%
1966	2,377	+12%
1967	2,975	+25%
1968	4,462	+50%
1969	6,107	+37%
1970	5,152	−16%
1971	4,608	−11%
1972	4,801	+ 4%
1973	4,040	−16%
1974	2,861	−29%
1975	2,297	−20%
1976	2,276	− 1%
1977	2,224	− 2%
1978	2,106	− 5%
1979	2,128	+ 1%
1980	1,889	−11%
1981	2,395	+27%
1982	2,346	− 2%
1983	2,533	+ 8%
1984	2,543	—
1985	3,001	+18%
	68,557	

Source: W. T. Grimm & Co.

Figure 1.

Historical Note

W. T. Grimm & Co. began recording merger-acquisition announcements on January 1, 1963. Net announcements increased in each of the next six years, reaching the current record of 6,107 in 1969. Net announcements decreased during 10 of the subsequent 15 years.. The 3,001 announcements of 1985 are 51% below the 6,107 announcements of 1969.

Most economic historians have identified four periods of increased merger-acquisition activity dating back to the turn of the twentieth century:

(1) 1893-1904, activity dominated by same-industry consolidations of many small firms resulting in monopolistic entities. Some believed the Sherman Antitrust Act of 1890 helped to foster these horizontal mergers since the Sherman Act outlawed collusion, but not mergers;

(2) 1915-1929, characterized by horizontal mergers of secondary firms resulting in oligopolies, in which a few large firms dominated an industry;

(3) 1940s, activity consisted of acquisitions of many small, privately held businesses by large companies on a friendly basis. Burdensome estate taxes forced smaller corporate owners to sell out;

(4) mid-1950s-1969 (see WTG statistics from 1963 to 1969), identified as the longest and largest merger-acquisition wave with the highest number of transactions; designated as conglomerate mergers, they were characterized by small and medium-sized companies acquiring other small/medium-sized firms in unrelated industries. The conglomerate merger wave was propelled by the theory of diversification which held that the control of a variety of businesses would lessen the risk of business cycles. Some have argued that the stricter enforcement of antitrust laws prohibiting horizontal and vertical mergers played a role in fueling conglomerate activity. Accounting techniques, namely pooling of interest, however, did encourage conglomerate acquisitions by allowing acquirers to combine their sales and earnings with those of sellers, thereby immediately boosting the earnings per share of the acquirer. This further stimulated the merger movement by enabling the acquirer to purchase more companies with seemingly higher-valued stock. The drop in the stock market during 1970 and the imposition of stricter accounting procedures spelled an end to the conglomerate wave. Conglomerates such as ITT, Textron, Litton Industries and LTV (Ling-Temco-Vought) grew out of this era.

Some analysts and economists have identified a fifth period of intense merger activity beginning in the mid-1970s and continuing into the 1980s, based on record dollars paid for acquisitions. While dollar totals in the past few years have exploded, the number of transactions during the period have not. (See page 8 for dollar total discussion.) Our thoughts on merger-acquisition strategies from the mid-1970s to the present appear in the Total Dollar Value Paid chapter on page 10.

QUARTERLY NET MERGER-ACQUISITION ANNOUNCEMENTS 1973-1985

Year	First	Second	Third	Fourth	Annual
1973	1,214	984	981	861	4,040
1974	878	791	660	532	2,861
1975	579	626	527	565	2,297
1976	557	713	506	500	2,276
1977	490	571	616	547	2,224
1978	511	596	501	498	2,106
1979	580	537	506	505	2,128
1980	411	445	498	535	1,889
1981	599	585	623	588	2,395
1982	604	594	574	574	2,346
1983	540	595	677	721	2,533
1984	710	627	562	644	2,543
1985	829	734	732	706	3,001

Source: W. T. Grimm & Co.

Figure 2.

Net merger and acquisition announcements in the 1985 first quarter rose 17% to 829 from 710 in the comparable year earlier period. The 1985 first quarter tally was the highest since the 878 recorded in the first quarter of 1974. During the last twelve years, quarterly net announcement totals have exceeded 800 in only two of the last 48 quarters. The first quarter rate moderated slightly in each of the remaining three quarters with an average quarterly count of 724, which was still 18% higher than the average 611 for the final three quarters in 1984.

By separating merger-acquisition announcements into four types of transactions, we can easily identify the source of the 1985 increase in merger activity. The subsequent table segregates merger announcements into (1) divestitures, (2) acquisitions of publicly traded companies, (3) acquisitions of privately held companies, and (4) acquisitions of foreign companies by U.S. firms. Each of the last three transaction groupings consists of acquisitions of entire companies, as opposed to the first category, divestitures, which includes the purchase of divisions, subsidiaries, or certain assets of parent companies.

COMPOSITION OF NET MERGER-ACQUISITION ANNOUNCEMENTS
First Quarter 1983-Fourth Quarter 1985

Quarter	Divestitures	Acquisitions of Publicly Traded Sellers	Acquisitions of Privately Owned Sellers	Acquisitions of Foreign Sellers	Net Announcements
1st -1983	194	39	289	18	540
2nd-1983	236	51	282	26	595
3rd -1983	264	40	350	23	677
4th -1983	238	60	395	28	721
Annual	932	190	1,316	95	2,533
1st -1984	258	62	367	23	710
2nd-1984	204	61	343	19	627
3rd -1984	186	56	294	26	562
4th -1984	252	32	347	13	644
Annual	900	211	1,351	81	2,543
1st -1985	346	96	361	26	829
2nd-1985	294	93	317	30	734
3rd -1985	313	79	324	16	732
4th -1985	265	68	356	17	706
Annual	1,218	336	1,358	89	3,001

Source: W. T. Grimm & Co.

Figure 3.

As indicated in Figure 3, the 1985 increase in merger-acquisition activity was concentrated in two types of transactions, divestitures and acquisitions of publicly traded companies. There were 1,218 divestitures in 1985, up 35% from 900 in 1984. The rash of mega-deals (transactions valued at $100 million or more) and going-private transactions over the last five years contributed significantly to the increase in divestitures. Because many firms assumed heavy debt loads to finance acquisitions, they are now selling assets to raise cash for debt repayment. In addition to paying down acquisition-related debt, these companies are utilizing divestitures to rationalize the newly acquired entities.

Acquisitions of publicly traded companies numbered 336, up 59% from 211 in 1984. There was no scarcity of undervalued target companies, especially the smaller over-the-counter traded companies. Much of the increase occurred among transactions with price tags of $25 million or less. Such smaller transactions in 1985 totalled 104, more than double the 40 recorded in 1984. (See page 116.) The higher rate of acquisitions among small to mid-sized companies signals a widespread endorsement by corporate managers to include acquisitions in their long-range planning strategies. Note that the pace of all publicly traded acquisitions slowed in the latter part of the year, falling to 68 in the final 1985 quarter compared to an average of 90 in each of the three preceding quarters. The powerful autumn stock market rally may have begun to curb the rate of offers for public companies.

Acquisitions of privately held companies were flat at 1,358 compared to 1,351 in 1984, while acquisitions of foreign sellers rose slightly to 89 from 81 in 1984.

Figure 4 provides an annual survey of acquisition activity among the four transaction types since 1976. Numbers of deals are provided for each grouping along with their respective percentages of total activity.

COMPOSITION OF NET MERGER-ACQUISITION ANNOUNCEMENTS 1976-1985

Year	Divestitures	Acquisitions of Publicly Traded Sellers	Acquisitions of Privately Owned Sellers	Acquisitions of Foreign Sellers	Net Announcements
1976	1,204(53%)	163 (7%)	856 (38%)	53 (2%)	2,276
1977	1,002(45%)	193 (9%)	971 (44%)	58 (2%)	2,224
1978	820(39%)	260 (12%)	969 (46%)	57 (3%)	2,106
1979	752(35%)	248 (12%)	1,049 (49%)	79 (4%)	2,128
1980	666(35%)	173 (9%)	988 (52%)	62 (4%)	1,889
1981	830(35%)	168 (7%)	1,330 (55%)	67 (3%)	2,395
1982	875(37%)	180 (8%)	1,222 (52%)	69 (3%)	2,346
1983	932(37%)	190 (7%)	1,316 (52%)	95 (4%)	2,533
1984	900(36%)	211 (8%)	1,351 (53%)	81 (3%)	2,543
1985	1,218(41%)	336 (11%)	1,358 (45%)	89 (3%)	3,001

Source: W. T. Grimm & Co.

Figure 4. (Composition data available since 1976.)

The four transaction types are further analyzed in their respective chapters. A discussion of foreign sellers begins on page 68, divestitures on page 92, acquisitions of publicly traded acquisitions on page 115, and acquisitions of privately held businesses on page 127.

TOTAL DOLLAR VALUE PAID

The total dollar value paid for the 1,320 transactions providing a purchase price in 1985 surged to a record-breaking $179.8 billion, 47% higher than the 1984 record of $122.2 billion. There were a record 36 $1 billion-plus transactions aggregating $92.7 billion, more than half the value of all 1985 deals, compared with 18 $1 billion-plus transactions totalling $58.1 billion, or 48% of the 1984 dollar aggregate. In 1983 there were 11 $1 billion-plus transactions totalling $19 billion, or 26% of the value of all 1983 deals. Unlike previous years when the majority of deals involved natural resources and financial services, 1985 billion-dollar-plus transactions spanned a wide range of industries with oil and gas, broadcasting, food processing, drugs and medical supplies, chemicals and electronics the dominant groups. Transactions in the other five industry groups outnumbered those in the oil and gas industry. The billion-dollar-plus deals of 1985 consisted of nine in oil and gas, four in broadcasting, three in food processing, three in drugs and medical supplies, three in chemicals, three in electronics, two in retail, and one each in the following industries: aerospace and aircraft, utilities, banking, cosmetics, motion picture entertainment, building materials, apparel, electrical equipment, and consumer/industrial products.

The billion-dollar-plus deals in 1985 included three historical record-breakers: (1) the largest non-oil acquisition in U.S. corporate history, General Electric Co.'s $5.97 billion acquisition of RCA Corp.; (2) the largest going-private and leveraged buyout transaction, the $5.36 billion buyout of Beatrice Cos. by Kohlberg, Kravis, Roberts & Co.; and (3) the largest unit-management buyout, Allied Corp.'s $1.7 billion divestiture of 50% of Union Texas Petroleum to a group led by Union's management and Kohlberg, Kravis, Roberts & Co.

Transactions with price tags of $100 million or more (the W.T. Grimm & Co. 100 Million Dollar Club) numbered a record-breaking 270, compared with 200 in 1984. The prevalence of large deals, particularly those valued at one billion dollars or more, raised the average purchase price for all transactions from $112.8 million to $136.2 million. The first substantial increment in the average purchase price occurred in 1976 when transactions valued at $100 million or more surged from 14 to 39. (See Figure 5.) The next largest increment, occurring two years later, was also influenced by an increase in $100 million-plus deals. Finally, as the 1980s ushered in billion dollar transactions, the average price broke new records, first in 1981 when billion dollar deals shot up to 12, then in 1984 with 18 billion dollar transactions, and now in 1985 with a record 36 billion dollar deals. The median purchase price, which is not skewed as much by the greater number of larger sized deals, rose from $20.1 million to $21.1 million.

AVERAGE & MEDIAN PURCHASE PRICE
1968-1985
(millions of dollars)

Year	Total Dollar Value Paid	Base*	Total**	Number of Transactions Valued at $100MM or More	Number of Transactions Valued at $1,000MM or More	Average Price	Median Price
1968	$ 43,609.0	1,514	4,462	46	-	$ 28.8	na
1969	23,710.9	2,300	6,107	24	-	10.3	na
1970	16,414.9	1,671	5,152	10	1	9.8	na
1971	12,619.3	1,707	4,608	7	-	7.4	na
1972	16,680.5	1,930	4,801	15	-	8.6	$ 2.8
1973	16,664.5	1,574	4,040	28	-	10.6	3.4
1974	12,465.6	995	2,861	15	-	12.5	3.6
1975	11,796.4	848	2,297	14	1	13.9	4.3
1976	20,029.5	998	2,276	39	1	20.1	5.1
1977	21,937.1	1,032	2,224	41	-	21.3	6.6
1978	34,180.4	1,071	2,106	80	1	31.9	8.1
1979	43,535.1	1,047	2,128	83	3	41.6	8.5
1980	44,345.7	890	1,889	94	4	49.8	9.3
1981	82,617.6	1,126	2,395	113	12	73.4	9.0
1982	53,754.5	930	2,346	116	6	57.8	10.5
1983	73,080.5	1,077	2,533	138	11	67.9	16.5
1984	122,223.7	1,084	2,543	200	18	112.8	20.1
1985	179,767.5	1,320	3,001	270	36	136.2	21.1

*Base: The number of transactions which disclosed a purchase price.
**Total: Net merger-acquisition announcements.

Source: W. T. Grimm & Co.

Figure 5.

The uninterrupted growth in large-scale consolidations together with inflationary pressures have both been factors in the increase of the average and median dollar values. A frequency distribution of purchase prices further demonstrates the upward shift in the median dollar size of transactions. Since 1976, deals valued under $5 million have dropped from 50% to only 23% of all transactions disclosing a purchase price in 1985. The subsequent figure provides the number of transactions within each of six different purchase price ranges along with the respective percentages of all transactions disclosing a purchase price.

VALUE OF NET MERGER-ACQUISITION ANNOUNCEMENTS 1976-1985

	$0.5-5.0MM	$5.1-25.0MM	$25.1-99.9MM	$100.0-499.9MM	$500.0-999.9MM	Over 999.9MM	Base*
1976	498 (50%)	344 (34%)	117 (12%)	35 (4%)	3 (-)	1 (-)	998
1977	451 (44%)	377 (36%)	163 (16%)	39 (4%)	2 (-)	—	1,032
1978	417 (39%)	404 (38%)	170 (16%)	76 (7%)	3 (-)	1 (-)	1,071
1979	387 (36%)	393 (38%)	184 (18%)	69 (7%)	11 (1%)	3 (-)	1,047
1980	306 (35%)	324 (36%)	166 (19%)	80 (9%)	10 (1%)	4 (-)	890
1981	388 (35%)	433 (38%)	192 (17%)	86 (8%)	15 (1%)	12 (1%)	1,126
1982	296 (32%)	338 (36%)	180 (20%)	96 (10%)	14 (2%)	6 (-)	930
1983	321 (30%)	380 (35%)	238 (22%)	104 (10%)	23 (2%)	11 (1%)	1,077
1984	270 (25%)	361 (33%)	253 (23%)	166 (15%)	16 (2%)	18 (2%)	1,084
1985	296 (23%)	454 (34%)	300 (23%)	204 (15%)	30 (2%)	36 (3%)	1,320

*Base: Number of transactions which disclosed a purchase price.

Source: W. T. Grimm & Co.

Figure 6.

Historical Note

A striking characteristic of merger activity within the last ten years has been the number of sizable transactions. The number of $100 million-plus acquisitions grew 18 times from 1974 to 1985. Unlike the 1960s' conglomerate builders whose growth plans emphasized acquisitions of small and medium sized firms operating in a variety of unrelated businesses, many of the merger participants in the last decade were large, well established concerns acquiring financially healthy and well-managed companies enjoying strong market positions. The acquired companies, in most cases, ranked first or second within their industries.

This long-term increase in large-scale consolidations reflected a widespread corporate management response to the rapidly changing economic environment of the last ten years. Given high inflation rates, the high cost of capital and the low marketplace valuation of assets, merger and acquisition strategies became primary management tools for overcoming declining growth rates. Merger and acquisition plans were, in turn, strongly supported by the development and application of new strategic planning and control methods. Acquisitions enabled acquirers in mature slow-growing industries to add new sources of earnings, resulting in newer and larger conglomerates or multicompanies such as Allied Corp., Allegheny International, Esmark, RCA, and United Technologies.

Within the last three years, acquisitions have surpassed the billion dollar mark as multicompanies and conglomerates of roughly the same size consolidate their operations in order to meet the challenges of the current economic environment. Allied Corp. acquired Signal Cos., creating the 16th largest U.S. industrial corporation. Esmark was acquired by Beatrice Cos. which, in turn, went private. General Electric Co. acquired RCA Corp.

Hence, with well established companies participating, strategies emphasizing growth through acquisition became admissible courses of action. Corporate takeovers were no longer regarded as the high-flying schemes of 1960s' conglomerates, but as viable components of corporate planning. The respectability was reinforced by the tremendous growth in merger-acquisition departments of not only investment banks, but of law firms, accounting and management consulting firms, and commercial banks. Today, an entire, sophisticated support structure exists for companies considering acquisitions.

COMPOSITION OF NET ACQUISITION ANNOUNCEMENTS
(Millions of Dollars)

TOTAL DOLLAR VALUE PAID

	Total Dollar Value [Base]									
	1981		1982		1983		1984		1985	
Divestitures	$16,695.6[	366]	$16,050.3[317]		$ 24,173.9[	376]	$ 29,379.0[	401]	$ 45,825.6[	525]
Publicly Traded Sellers	56,569.4[	156]	31,501.8[176]		39,471.4[	181]	82,731.0[	204]	116,675.5[	321]
Privately Owned Sellers	8,521.7[	581]	5,916.9[420]		8,079.4[	500]	8,734.8[	445]	16,851.6[	453]
Foreign Sellers	830.9[	23]	285.5[	17]	1,355.8[	20]	1,378.9[	34]	414.8[	21]
All Transactions	$82,617.6[1,126]		$53,754.5[930]		$ 73,080.5[1,077]		$122,223.7[1,084]		$179,767.5[1,320]	

AVERAGE & MEDIAN PURCHASE PRICE

	Average Purchase Price					Median Purchase Price				
	1981	1982	1983	1984	1985	1981	1982	1983	1984	1985
Divestitures	$ 45.6	$ 50.6	$ 64.3	$ 73.3	$ 87.3	$11.4	$12.6	$14.2	$24.6	$23.4
Publicly Traded Sellers	362.6	179.0	218.1	405.5	363.4	67.5	65.2	70.8	90.6	67.7
Privately Owned Sellers	14.7	14.1	16.2	19.6	37.2	6.0	5.9	7.3	7.6	8.7
Foreign Sellers	36.1	16.8	67.8	40.6	19.8	3.2	1.9	9.0	4.9	9.5
All Transactions	73.4	57.8	67.9	112.8	136.2	9.0	10.5	16.5	20.1	21.1

Source: W. T. Grimm & Co.

Figure 7.

As indicated in the preceding figure, except for foreign sellers, the total dollar value paid increased in each of the transaction types. Focusing on the volume of $100 million-plus transactions (100 Million Dollar Club) will demonstrate the effect of such sizable deals on the dollar total for each of the transaction groupings and on the overall dollar total. Figure 8 provides such an analysis by supplying the number of $100 million-plus deals and its dollar value for each transaction type. This is followed by a figure which shows the dollar value of $100 million-plus deals as a percentage of the total value of all deals within that transaction type.

COMPOSITION OF W.T. GRIMM & CO. 100 MILLION DOLLAR CLUB

	Number of Transactions	Dollar Value (Millions)	Percentage of Total Value of All Transactions
	1983	1984	1985
Divestitures	53 – $17,532.2 (73%)	83 – $ 22,033.3 (75%)	120 – $ 36,309.1 (79%)
Publicly Traded Sellers	73 – 35,218.8 (89%)	95 – 78,612.6 (95%)	134 – 111,221.0 (95%)
Privately Owned Sellers	8 – 1,867.0 (23%)	19 – 3,447.5 (39%)	15 – 10,486.9 (62%)
Foreign Sellers	4 – 1,091.5 (81%)	3 – 674.7 (49%)	1 – 116.3 (28%)
Totals	138 $55,709.5 (76%)	200 $104,768.1 (86%)	270 $158,133.3 (88%)

Source: W. T. Grimm & Co.

Figure 8.

Among the four transaction types, both divestitures and acquisitions of publicly traded companies witnessed more $100 million-plus deals in 1985 than in 1984, while the number of sizable deals dropped among acquisitions of privately held sellers and acquisitions of foreign sellers. However, except for acquisitions of foreign sellers, the 1985 total dollar value for each of the transaction types increased over that of 1984. The most dramatic increase occurred among acquisitions of privately owned companies.

The 100 Million Dollar Club aggregate for privately held acquisitions in 1985 rose to $10.5 billion, more than three times the $3.4 billion tabulated in 1984. The $10.5 billion accounted for 62% of the $16.9 billion tabulated for all acquisitions of privately held sellers. Even though the number of $100 million-plus transactions declined from 19 to 15, two of the 15 deals had price tags of more than one billion dollars, together contributing $6.6 billion to the private seller dollar total. They were the $5.02 billion purchase of Hughes Aircraft Co. by General Motors Co., the largest acquisition of a privately held seller in U.S. corporate history, and Rockwell International Corp.'s $1.65 billion acquisition of Allen-Bradley Co., the third largest privately held acquisition in history.

Divestitures valued at $100 million or more increased from 83 to 120, raising the 1985 sizable-divestiture aggregate 65% from $22 billion to $36.3 billion, which represented 79% of 1985's divestiture total dollar value. There were six billion-dollar-plus divestitures in 1985, compared with three in 1984. The largest divestiture in 1985 was Chevron Corp.'s sale of its 60.2% interest in Gulf Canada Ltd. to Olympia & York Developments Ltd. of Canada for $2.04 billion.

The $111.2 billion tabulated for the 134 sizable acquisitions of publicly traded companies in 1985 accounted for 95% of the $116.7 billion tabulated for all acquisitions of public sellers. Publicly traded acquisitions valued at $1 billion or more numbered 28, compared with 15 in 1984. The two largest acquisitions of publicly traded companies in 1985 were the $5.97 billion purchase of RCA Corp. by General Electric Corp. and the $5.6 billion acquisition of General Foods Corp. by Philip Morris Cos. These deals were the fifth and seventh largest transactions respectively in U.S. corporate history.

The 100 Million Dollar Club for 1985 consisted of only one acquisition of a foreign seller: Boeing Co.'s $116.3 million acquisition of de Havilland Aircraft of Canada Ltd. In 1984 there were three $100 million-plus acquisitions, the largest of which was Sara Lee Corp.'s $327 million purchase of an additional 70% in Nicholas Kiwi Ltd. of Australia.

All in all, the $158.1 billion paid for the 270 deals in the 100 Million Dollar Club accounted for 88% of the $179.8 billion computed for all transactions disclosing a price in 1985, compared with 86% of 1984's $122.2 billion.

Other notable characteristics of 1985's 100 Million Dollar Club include a slight decline in foreign buyers. Foreign acquisitions of U.S. companies fell from 23 transactions totalling $13.1 billion to 21 totalling $9.4 billion. While the 34 leveraged deals equaled the same number as that in the previous year, the 1985 dollar total for sizable leveraged deals more than doubled the 1984 aggregate, surging from $12.3 billion to $26 billion. Leveraged deals with price tags of $1 billion-plus were as common in 1985 as $100 million-plus deals were common in 1984. There were seven leveraged transactions valued at $1 billion or more in 1985, compared with only one in 1984. All but three of the 50 W. T. Grimm & Co. industry classifications witnessed at least one deal with a $100 million-plus purchase price in 1985. In fact, in 1985, there were acquisitions in 45 industries which were among the ten largest transactions in each of those industries' history. (See page 52.)

The $100 million-plus deals in 1985 are primarily the result of three ongoing scenarios: (1) major strategic purchases to broaden product lines and expand markets, to gain access to needed technology, and to diversify into industries offering more stable growth prospects, (2) aggressive investors or corporate raiders acquiring stakes in undervalued and vulnerable companies, and forcing managements to implement some form of restructuring, to accept their hostile offer for control of the company, to seek friendly merger partners, or to submit to greenmail, and (3) managements forming investor groups with the aid of leveraged buyout specialists in order to take their corporations private.

General Electric Corp.'s $5.97 billion acquisition of RCA Corp., the largest transaction in 1985 and the largest non-oil acquisition in U.S. corporate history, illustrates a major strategic move uniting two companies that complement each other's businesses in defense, communications and electronics. The acquisition combines two of the nation's most experienced defense research and development labs and, thus, establishes GE as the second largest defense contractor selling electronics gear. General Electric, which manufactures fighter engines, will gain a strong presence in advanced radars. RCA supplies the Navy with radar systems for cruisers and destroyers. In addition, while GE builds communications satellites for the Pentagon, RCA manufactures defense meteorological satellites and private communications satellites. GE, no stranger to the merger-acquisition scene, has aggressively acquired and divested companies over the last four years in order to move away from smokestack manufacturing and into services and high-technology industries.

The $419.7 million stock purchase of Lorimar, Inc. by Telepictures Corp. is another example of a strategic combination of companies having complementary strengths. Telepictures, which produces first-run syndication programming for independent television stations, has not been able to succeed in the network market. Lorimar, on the other hand, produces network programming, but hasn't succeeded in first-run syndication.

A common strategic theme among some of 1985's largest acquisitions has been the pursuit of brand-name consumer-goods companies. Frustrated with the growing expense, time and effort involved in developing a brand-name product, consumer-goods companies have instead been acquiring others with complementary product lines. Philip Morris Cos. acquired General Foods Corp. for $5.6 billion, making it the second largest transaction in 1985 and the seventh largest in U.S. corporate history. The $4.9 billion purchase of Nabisco Brands, Inc. by R.J. Reynolds Industries, Inc. was the fifth largest acquisition in 1985. Procter & Gamble Co. acquired Richardson-Vicks, Inc. for $1.6 billion - the 23rd largest deal in 1985.

In addition to extending existing brand names rather than creating new ones at huge cost, the consumer-goods acquirers also gain other strengths. Combining companies with overlapping brand-name consumer product lines increases marketing clout in advertising and in supermarkets. The more strong brand name products a company manufactures, the greater the discounts are on advertising rates and the more available the shelf space at supermarkets.

For Philip Morris and R.J. Reynolds, acquiring a major consumer-goods producer solved another important strategic issue. Facing stagnant sales in their cigarette operations, both companies chose to further diversify into more steady-growing product lines.

Among other diversification moves, Monsanto Co. acquired G.D. Searle & Co. for $2.7 billion, the 13th largest transaction in 1985. Having streamlined its traditional operations in chemicals, plastics and fibers, Monsanto added a new profit source with pharmaceuticals. Monsanto also expects to utilize Searle's marketing and sales network for any new products developed by Monsanto's research in agrichemicals and biotechnology.

Having acquired Electronic Data Systems Corp. for $2.5 billion in 1984, General Motors Corp. pursued an even bolder diversification move in 1985. In the fourth largest transaction of the year, GM acquired Hughes Aircraft Co., the nation's seventh largest defense contractor, for $5.02 billion. Coupled with the EDS purchase, GM plans to reduce its vulnerability to slowdowns in the auto industry. GM further expects to capitalize upon the technical contributions of both acquisitions for its Saturn project which is supposed to revolutionize automobile manufacturing by using the most advanced computer and automation innovations.

Joining GM in the pursuit of other businesses were the other major automakers, Chrysler Corp. and Ford Motor Co. Chrysler acquired Gulfstream Aerospace Corp. for $640.6 million. While still searching for a high-tech acquisition, Ford Motor opted for financial services. In fact, all three automakers further diversified into financial services. Since each of the three has a finance company, which extends credit for new car purchases, acquiring other financial services concerns would complement the automakers' already sizable credit activities. First Nationwide Financial Corp., the ninth largest savings and loan in the U.S., was acquired by Ford Motor for $492.7 million. Chrysler purchased the consumer finance operations of BankAmerica Corp. for $405 million. And GM acquired two mortgage bankers: (1) Colonial Cos., a division of CoreStates Financial Corp., for $190 million; and (2) Norwest Mortgage, Inc., a division of Norwest Corp., for $125 million.

A significant trend in merger-acquisition activity has been the recent emergence of the corporate raider, who purchases blocks of stock in a company and then threatens or initiates an offer for a controlling interest in the company. The target company has a number of options, most of which come under the heading of corporate restructuring. They include divesting or spinning off valuable assets, repurchasing shares, stepping up payouts to shareholders, and reorganizing balance sheets. The target company's ultimate goal is to raise its stock price fast. Since low stock valuations and high asset values attract raiders, the target company must quickly get its stock price more closely in line with asset values. Thus, corporate restructuring has become synonymous with increasing shareholder value.

The target company, however, does have other alternatives when faced with a corporate raider: (1) seek a more friendly acquirer, or (2) buy back the raider s stake at a premium to what the raider paid, i.e. paying greenmail. No matter what option the target chooses, the raider usually profits. Well known corporate raiders such as T. Boone Pickens, Irwin L. Jacobs, and Carl C. Icahn, have issued takeover threats and initiated hostile offers in previous years. However, the raiders' new found power evolved from their ability to quickly raise the necessary funds to execute their threats.

Raiders have been able to tap a new financing source. Drexel Burnham Lambert, Inc., a New York investment banking firm, has brought its expertise in junk securities (low-rated, highly speculative corporate securities) into the takeover arena. Drexel can quickly raise capital for a raider through private placements of junk securities issued by the raider's "paper" company. Such securities usually promise much higher annual investment returns than those of high-grade securities. The higher returns depend on what the raider can get for selling the assets of the target company. Hence, faced with these well-funded opponents, managements of target companies no longer dismiss raider threats as bluffs.

Raiders T. Boone Pickens, Irwin L. Jacobs, and Carl C. Icahn were joined by new players in 1985, including corporations led by aggressive CEOs. Pantry Pride, Inc., a supermarket chain, made an offer for Revlon, Inc. and was successful in acquiring the cosmetics giant for $1.64 billion. Pantry Pride is owned by MacAndrews & Forbes Holdings, Inc., a closely held New York investment firm led by Ronald O. Perelman. Perelman's plan for Revlon consisted of keeping the cosmetics business and selling off the health care

divisions. The easy availability of financing enabled Pantry Pride, with fiscal 1985 sales of $345 million, to take over $2.4 billion-a-year Revlon. Pantry Pride had hired Drexel Burnham to help raise additional funds through an underwriting of junk bonds.

Cluett, Peabody & Co., a manufacturer of brand-name apparel, was the target of a group of California investors under the leadership of Paul A. Bilzerian, another new participant in the corporate raider scene. Cluett chose to accept a friendly $330.9 million offer from West Point-Pepperell, Inc.

In some instances, the fear of corporate raiders prompts a target company to make a seemingly illogical move. Determined to deter further raider attacks, Chesebrough-Ponds, Inc. saddled itself with over $1 billion in borrowed funds to acquire Stauffer Chemical Co. for $1.2 billion. Analysts saw no synergy in the acquisition of Stauffer, a manufacturer of pesticides and herbicides, whose profits were falling. Chesebrough, with operations in consumer health-care, apparel and food products, had been the target of Carl Icahn in 1984. Icahn agreed to sell back his interest in Chesebrough on the condition that Chesebrough buy an unneeded plastics company from him. Chesebrough assented to the condition and resolved not to repeat such an episode.

Managements of some target companies, rather than merge with a more compatible suitor, choose to take their businesses private. Re-enter corporate raider Icahn. Having rejected Icahn's two-tier $324 million offer for a controlling interest, Uniroyal Inc.'s management along with Clayton & Dubilier, Inc., a leveraged buyout specialist, took the company private for a total of $747.3 million.

In addition to implementing defensive measures, management/investor groups continue to buy out their publicly traded companies in order to reap the potential financial rewards of successful leveraged deals. A leveraged buyout offers the managers an opportunity to own a part of the company for little or no personal outlay, while the equity participants are attracted to investment returns of as high as 15 to one. Management groups are also attracted to the advantages of private status, particularly the removal of quarterly earnings reports. The elimination of such pressures enables management to operate the business in its best long-term interests. Tired of having its corporate strategy second-guessed by analysts, the senior management of R.H. Macy & Co. took the nation's 10th-largest retailer private through a $3.5 billion leveraged buyout, the 11th largest transaction in 1985.

The strategic purchase, corporate raider and going private scenarios have, in turn, led to larger sized divestitures, the fourth prevalent characteristic of 1985's $100 million-plus deals. Divestitures were utilized to pay down acquisition-related debt or rationalize the newly acquired entities. Other divisional sales were triggered by managers who chose to sell part of the company and distribute the proceeds to the shareholders, rather than provide an opportunity for corporate raiders. Most important to note, today's divestitures are driven by a new idealogy: The parts are worth more than the whole. Unrelated assets must be sold for maximum return.

Champion International Corp.'s divestiture of the majority of its packaging business to Stone Container Corp. for $457 million helped to reduce debt from its $1.8 billion acquisition of St. Regis Corp. in 1984. With a new CEO at the helm, United Technologies Corp. sold its Inmont Corp. subsidiary to BASF-AG of West Germany for $1 billion. After a decade of expansion and some unsuccessful acquisitions, United's new CEO plans to reposition the company.

The 100 Million Dollar Club of 1985, a listing of 270 transactions begins on page 17. Among the 270 transactions valued at $100 million or more in 1985, 35 made the listing of the 100 largest deals in history. In fact, the 1980s witnessed 91 of the largest 100 deals in history, reflecting the Reagan Administration's "bigness is not badness" approach to merger-acquisition activity.

TOP 100 DEALS IN HISTORY ANNOUNCED IN FOLLOWING YEARS

1969 — 1	1980 — 5
1970 — 1	1981 — 14
1975 — 1	1982 — 8
1976 — 2	1983 — 10
1978 — 1	1984 — 19
1979 — 3	1985 — 35

A listing of the 100 largest deals in history begins on page 33.

THE W.T. GRIMM & CO. 100 MILLION DOLLAR CLUB

(Completed/Pending Transactions)

1985

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
1.	**General Electric Corp.** [diversified electrical prdts. & related technology]	**RCA Corp.** [electronics, broadcasting, records & video communications]	$ 5,965.1	(2)
2.	**Philip Morris Cos.** [cigarettes, beer, soft drinks]	**General Foods Corp.** [diversified food processor]	5,627.5	(2)
* 3.	**Kohlberg, Kravis, Roberts & Co.** [investment co. specializing in leveraged buyouts]	**Beatrice Cos.** [food prdts., dairy beverages, grocery & consumer goods]	5,361.6	(2)
4.	**General Motors Co.** [largest U.S. maker of autos & auto prdts.]	**Hughes Aircraft Co.** [aircraft parts & missiles]	5,025.0	(3)
5.	**R.J. Reynolds Industries, Inc.** [cigarettes, food prdts., consumer goods]	**Nabisco Brands, Inc.** [food & consumer prdts.]	4,906.4	(2)
6.	**GAF Corp.** [chemicals & bldg. prdts.] Cancelled in January, 1986.	**Union Carbide Corp.** [petrochemicals, ind'l. gases, metal & carbon prdts.]	4,574.0	(2)
7.	**Allied Corp.** [chemicals, fibers, oil & gas]	**Signal Cos., Inc.** [aerospace, electronics, instrumentation prdts.]	4,476.1	(2)
8.	**U.S. Steel Corp.** [nation's largest steelmaker, oil/gas]	**Texas Oil & Gas Corp.** [natural gas processor, oil/gas exploration]	4,094.4	(2)
9.	**Baxter Travenol Laboratories, Inc.** [diversified medical care prdts.]	**American Hospital Supply Corp.** [medical supplies, hospital & laboratory eqpt.]	3,702.6	(2)
10.	**Capital Cities Communications, Inc.** [broadcasting, cable TV, publishing]	**American Broadcasting Cos.** [broadcasting, cable TV, publishing]	3,526.8	(2)
* 11.	**Private Group** [led by Macy's senior mgmt.]	**R.H. Macy & Co.** [department store chain]	3,484.7	(2)
12.	**Occidental Petroleum Corp.** [U.S. 12th largest oil co.]	**MidCon Corp.** [diversified energy holding; major gas pipeline]	3,085.6	(2)
13.	**Monsanto Co.** [chemicals]	**G.D. Searle & Co.** [prescription & consumer pharmaceuticals]	2,717.1	(2)
14.	**Freeport-McMoran, Inc. and Wagner & Brown** [oil/gas] Cancelled in January, 1986.	**MidCon Corp.** [diversified energy holding; major gas pipeline]	2,593.8	(2)

The transaction type is indicated for each deal by one of four codes appearing to the right of the purchase price. (1) denotes a divestiture, (2) an acquisition of a publicly traded company, (3) an acquisition of a privately owned company, and (4) an acquisition of a foreign based company.

#Statutory Merger—Companies consolidate to form new entity; there is no buyer and no seller, both companies receive stock in new merged entity; value determined by combining the respective market values of participants.

*Leveraged Buyout—deals which were publicly announced to be leveraged.

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
	15. **Coastal Corp.** [integrated oil/gas co.]	**American Natural Resources Co.** [natural gas pipeline & production]	$ 2,445.5	(2)
#	16. **Cleveland Electric Illuminating Co.** [electric utility]	**Toledo Edison Co.** [electric utility]	2,386.0	(2)
	17. **InterNorth, Inc.** [diversified energy holding; natural gas]	**Houston Natural Gas Corp.** [natural gas pipeline]	2,260.4	(2)
	18. **Olympia & York Developments Ltd.-Canada** [real estate developers]	**Chevron Corp.** (its 60.2% interest in Gulf Canada Ltd.) [oil/gas]	2,042.3	(1)
#	19. **Wachovia Corp.** [bank holding in North Carolina]	**First Atlanta Corp.** [bank holding in Georgia]	1,845.3	(2)
*	20. **Private Group** [led by Kohlberg, Kravis, Roberts and Union Texas officers]	**Allied Corp.** (50% of Union Texas Petroleum) [oil/gas]	1,700.0	(1)
	21. **Rockwell International Corp.** [aerospace, aircraft, defense electronics]	**Allen-Bradley Co.** [programmable controllers for factory automation]	1,650.0	(3)
	22. **Pantry Pride, Inc.** [supermarkets & dept. stores]	**Revlon, Inc.** [cosmetics & health-care prdts.]	1,638.7	(2)
	23. **Procter & Gamble Co.** [soaps, household cleaners, pharmaceuticals, food prdts.]	**Richardson-Vicks, Inc.** [pharmaceuticals & toiletries]	1,611.4	(2)
	24. **Group of five companies** [Time Inc., Tele-Communications Inc., Comcast Corp., Daniels & Associates, Century Southwest Communications Corp.]	**Westinghouse Electric Corp.** (Group W Cable) [U.S. 3rd largest cable TV system]	1,600.0	(1)
*	25. **Private Group** [led by Kohlberg, Kravis, Roberts & Co. & includes Storer mgmt.]	**Storer Communications, Inc.** [TV/radio stations, cable TV]	1,569.3	(2)
	26. **Turner Broadcasting System, Inc.** [cable TV news network] Price increased to $1,507.0 million in January, 1986.	**MGM/UA Entertainment Co.** [produces/distributes motion pictures & TV programs]	1,440.9	(2)
*	27. **Private Group** [led by Gypsum mgmt.]	**National Gypsum Co.** [building materials & prdts.]	1,327.0	(2)
	28. **Cox Enterprises, Inc.** [newspaper publishing]	**Cox Communications, Inc.**-remaining 59.8% [TV/radio stations, cable TV]	1,265.2	(2)
	29. **Chesebrough-Pond's, Inc.** [consumer health-care prdts., apparel, food prdts.]	**Stauffer Chemical Co.** [chemicals]	1,218.0	(2)
*	30. **Private Group** [led by Merrill Lynch Capital Markets & includes senior mgmt. of Eckerd]	**Jack Eckerd Corp.** [chain of drugstores & optical stores]	1,181.7	(2)
	31. **MidCon Corp.** [diversified energy holding]	**United Energy Resources, Inc.** [natural gas pipeline, oil/gas production]	1,140.6	(2)
*	32. **Private Group** [led by Robert D. Haas, Levi's president]	**Levi Strauss & Co.** [blue jeans & other apparel]	1,108.2	(2)
	33. **Cooper Industries, Inc.** [compressors, hand tools, drilling eqpt.]	**McGraw-Edison Co.** [electrical & energy related prdts. for ind'l. & commercial use]	1,076.6	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
34.	**Royal Dutch/Shell Group-Netherlands** [oil/gas expl'n. & prod'n.]	**Occidental Petroleum Corp.** (Colombia-Cities Service Petroleum Corp.) [owns 50% of Occidental's oil interests in Colombia]	$ 1,035.0	(1)
35.	**BASF-AG-W. Germany** [chemicals, plastics, consumer prdts.]	**United Technologies Corp.** (Inmont Corp.) [inks & auto finishes]	1,000.0	(1)
35.	**Wickes Cos.** [lumber & bldg. materials, retails furniture]	**Gulf & Western Industries, Inc.** (Consumer & Industrial Products Group) [apparel, home furnishings, auto parts]	1,000.0	(1)
* 37.	**Private Group** [led by Chicago investor, William F. Farley]	**Northwest Industries, Inc.** [batteries, electrical prdts., chemicals, consumer prdts.]	994.6	(2)
* 38.	**Private Group** [led by Goldman, Sachs & Co. & includes Multimedia mgmt.]	**Multimedia, Inc.** [broadcasting & publishing]	887.4	(2)
* 39.	**Private Group** [led by Oklahoma investor, J.A. Frates]	**Kaiser Aluminum & Chemical Corp.** [aluminum & ind'l. chemicals]	832.8	(2)
40.	**Maxxam Group, Inc.** [investment partnership; owns/develops resorts]	**Pacific Lumber Co.** [lumber, cutting & welding apparatus]	828.6	(2)
41.	**Taft Broadcasting Co.** [radio/TV stations, cable TV]	**Gulf Broadcast Co.** (broadcasting properties)	760.0	(1)
42.	**UAL, Inc.** [holding co.; air carrier & hotels]	**Pan Am Corp.** (Pacific Division) [routes from U.S. to Asia & Australia]	750.0	(1)
* 43.	**Private Group** [led by Clayton & Dubilier Inc. & includes Uniroyal mgmt.]	**Uniroyal, Inc.** [tires, specialty chemicals, plastic materials]	747.3	(2)
44.	**Broken Hill Proprietary Co.-Australia** [mining & steelmaking]	**Monsanto Co.** (Monsanto Oil Co.) [oil/gas prod'n. & expl'n.]	745.0	(1)
* 45.	**Private Group** [led by Merrill Lynch Capital Markets & includes SCM mgmt.] Cancelled in January, 1986.	**SCM Corp.** [chemicals/coatings, food prdts., typewriters]	731.6	(2)
46.	**Gannett Co., Inc.** [U.S. largest newspaper chain]	**Evening News Association** [publisher "The Detroit News", owns CBS-affiliate TV station in Washington, D.C.]	717.1	(3)
47.	**Burlington Northern, Inc.** [transportation, natural resources]	**Southland Royalty Co.** [oil/natural gas]	694.4	(2)
48.	**Rorer Group, Inc.** [pharmaceuticals & medical devices]	**Pantry Pride, Inc.** (ethical drug division of Revlon) [prescription drugs]	690.0	(1)
49.	**Pepsico, Inc.** [soft drinks, snack foods, restaurants]	**MEI Corp.** [soft drink bottler, candy & snack foods]	683.0	(2)
50.	**International Minerals & Chemicals Corp.** [chemicals/fertilizers, ind'l. prdts.]	**Avon Products, Inc.** (Mallinckrodt Division) [specialty chemicals, medical prdts., flavors & fragrances]	675.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
	51. **Sedgwick PLC-United Kingdom** [insurance broker]	**Transamerica Corp.** (Fred S. James & Co.) [insurance broker]	$ 660.0	(1)
	52. **Private Group** [led by Rupert Murdoch]	**Metromedia, Inc.** (6 television stations)	650.0	(1)
*	53. **Private Group** [led by Donaldson, Lufkin & Jenrette & includes mgmt. of Household Merchandising]	**Household International, Inc.** (Household Merchandising, Inc.) [supermarkets & variety stores]	645.0	(1)
	Purchase price was $645 million plus 10% of the new acquiring company.			
	54. **Chrysler Corp.** [U.S. 3rd largest auto maker]	**Gulfstream Aerospace Corp.** [corporate jet aircraft, defense prdts.]	640.6	(2)
	55. **Private Group** [Harry Hoiles, son of Freedom's founder]	**Freedom Newspapers, Inc.**- remaining 66% [publishes 29 newspapers, owns 4 TV stations]	608.0	(3)
#	56. **Madison Resources, Inc.** [oil/gas expl'n. & development]	**Adobe Oil & Gas Corp.** [oil/gas, coal]	598.4	(2)
	57. **UAL, Inc.** [airline, hotels]	**RCA Corp.** (Hertz Corp.) [rents/leases cars & trucks]	587.5	(1)
	58. **Minstar, Inc.** [boats, tread rubber, moving & storage]	**AMF, Inc.** [sports eqpt., food process'g. eqpt., other ind'l. eqpt., timing devices]	577.4	(2)
	59. **General Dynamics Corp.** [aerospace]	**Cessna Aircraft Co.** [world's largest maker of general aviation aircraft]	576.8	(2)
*	60. **Private Group** [led by Thomas H. Lee Co. & Drexel Burnham Lambert]	**SCOA Industries, Inc.** [department stores, shoe retailer]	572.9	(2)
	61. **FPL Group, Inc.** [holding co.; electric utility]	**Colonial Penn Group, Inc.** [insurance holding]	565.1	(2)
#	62. **Castle & Cooke, Inc.** [processed & fresh foods]	**Flexi-Van Corp.** [worldwide leasing of cargo containers & trailers]	559.0	(2)
	63. **Chicago Pacific Corp.** [holding co.]	**Hoover Co.** [vacuum cleaners, electric floor cleaners]	534.1	(2)
	64. **Private Group** [Dallas investor, Harold Simmons]	**Sea-Land Corp.** [container shipping & other ocean freight shipping]	523.3	(2)
	65. **Tribune Co.** [newspapers, TV/radio stations]	**Golden West Television Holding Co.** (KTLA-TV) [television station in Los Angeles]	510.0	(1)
	66. **Hanson Trust PLC—United Kingdom** [ind'l./construction/ agric. eqpt., consumer prdts.]	**SCM Corp.**-remaining 67.9% [chemicals, food prdts., typewriters]	503.5	(2)
	67. **Ford Motor Co.** [U.S. 2nd largest auto maker]	**First Nationwide Financial Corp.** [9th largest savings & loan in U.S.]	492.7	(2)
	68. **First Union Corp.** [bank holding in North Carolina]	**Atlantic Bancorp** [bank holding in Florida]	489.6	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
69.	**K Mart Corp.** [discount variety stores]	**Pay Less Drug Stores Northwest, Inc.** [self service drug store chain]	$ 487.4	(2)
70.	**Johnson Controls, Inc.** [batteries, automated building controls]	**Hoover Universal, Inc.** [plastic parts & seating for autos]	487.3	(2)
71.	**News Corp.-Australia** [owned by publisher, Rupert Murdoch]	**TCF Holdings, Inc.** [parent of Twentieth Century Fox Film Corp., motion picture producer]	487.0	(3)
72.	**Time, Inc.** [magazine publisher, pay TV]	**Southern Progress Corp.** [publishes "Southern Progress", nation's largest regional magazine]	480.0	(3)
73.	**Security Pacific Corp.** [U.S. 7th largest bank holding based in California]	**Arizona Bancwest Corp.** [bank holding in Arizona]	465.7	(2)
74.	**Dow Jones & Co. and Oklahoma Publishing Co.** [newspaper publishers]	**Telerate, Inc.-52%** [provides computerized financial data]	459.8	(2)
75.	**MCI Communications Corp.** [U.S. 2nd largest supplier of long distance phone services]	**International Business Machines Corp.** (Satellite Business Systems) [communications carrier]	459.4	(1)
76.	**Stone Container Corp.** [paperboard & packaging prdts.]	**Champion International Corp.** (majority of packaging business) [container board, corrugated containers, specialty bags]	457.0	(1)
77.	**Nimas Corp.** [newly formed by Masco Corp. & Masco Industries]	**NI Industries, Inc.** [wheels, metal stampings, gas cylinders, bldg. prdts.]	454.2	(2)
78.	**Citizens & Southern Georgia Corp.** [bank holding in Georgia]	**Landmark Banking Corp. of Florida** [bank holding in Florida]	450.6	(2)
79.	**Hearst Corp.** [publishing & broadcasting]	**Metromedia, Inc.** (WCVB-TV) [an ABC-affiliate TV station]	450.0	(1)
79.	**Warner Communications, Inc.** [motion pictures, records, other entertainment]	**American Express Co.** (its 50% interest in Warner-Amex Cable Communications Inc.) [U.S. 6th largest cable TV operator]	450.0	(1)
* 79.	**Private Group** [led by Gibbons, Green, van Amerongen & includes Foodmaker mgmt.]	**Ralston Purina Co.** (Foodmaker, Inc.) [owns/franchises "Jack in the Box" restaurants]	450.0	(1)
82.	**Tenneco, Inc.** [oil/gas, packaging, farm mchy., life insurance]	**Goodyear Tire & Rubber Co.** (Louisiana Intrastate Gas, Mid Louisiana Gas Co., Tuscaloosa Pipeline Co.) [natural gas pipelines]	446.7	(1)
83.	**Atlantic Petroleum Co.-Netherlands** [newly formed by Dutch oil trader & businessman, John Duess]	**Atlantic Richfield Co.** (Philadelphia refinery & 576 service stations in PA & NY)	420.0	(1)
84.	**Telepictures Corp.** [motion picture/TV program production & distribution]	**Lorimar, Inc.** [TV program producer]	419.7	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
85.	**Owens-Corning Fiberglass Corp.** [glass fiber insulation, asphalt, wood fiberboard]	**Armco, Inc.** (Aerospace & Strategic Materials Group)	$ 415.0	(1)
* 86.	**Private Group** [led by Goldman Sachs & Co. & includes Warnaco mgmt.]	**Warnaco, Inc.** [apparel]	405.5	(2)
* 87.	**Private Group** [led by Mary Kay mgmt.]	**Mary Kay Cosmetics, Inc.**-remaining 70% [skin-care cosmetics]	405.1	(2)
87.	**Sovran Financial Corp.** [bank holding in Virginia]	**Suburban Bancorp** [bank holding in Maryland]	405.1	(2)
89.	**Chrysler Corp.** [U.S. 3rd largest auto maker]	**BankAmerica Corp.** (Finance America Corp. & BA Financial Services) [consumer finance]	405.0	(1)
90.	**Dalfort Corp.** [holding co.: Braniff Airlines, aircraft maintenance, ground eqpt. leasing]	**Conwood Corp.** [tobacco, popcorn, pesticides]	401.2	(2)
91.	**Triangle Industries, Inc.** [currency changers, jukeboxes, vending eqpt.]	**National Can Corp.** [metal, glass & plastic containers]	400.6	(2)
92.	**Private Group** [led by investor, Carl C. Icahn] Cancelled in January, 1986.	**Trans World Airlines** -remaining 48% [U.S./foreign air carrier]	397.1	(2)
93.	**Beecham Group PLC-United Kingdom** [consumer prdts. & pharmaceuticals]	**Pantry Pride, Inc.** (Norcliff Thayer and Reheis units of Revlon) [Tums ' antacids & specialty chemicals]	395.0	(1)
94.	**Grand Metropolitan PLC-United Kingdom** [cigarettes, food prdts., recreational prdts., operates hotels]	**Pearle Health Services, Inc.** [U.S. largest retailer of glasses & contact lenses]	391.9	(2)
95.	**VMS Realty Inc.** [sells & manages real estate properties]	**Holiday Corp.** (26 hotels)	390.0	(1)
96.	**Pillsbury Co.** [food processor, restaurants]	**Diversifoods, Inc.** [restaurants]	387.7	(2)
97.	**Viacom International, Inc.** [cable TV, radio/TV stations]	**Warner Communications, Inc.** (its 50% interest in Showtime/The Movie Channel Inc.) [pay television]	387.6	(1)
* 98.	**Private Group** [led by senior mgmt. of units & includes Employee Stock Ownership Plan]	**Ogden Corp.** (Avondale Shipyards, Inc. and Ind'l. Production operations) [shipbuilding, custom metal components, machine tools, heat transfer eqpt.]	375.0	(1)
99.	**Emerson Electric Co.** [electric/electronic prdts., appliance motors]	**Automatic Switch Co.** [electromagnetic control eqpt.]	373.5	(2)
* 100.	**Forstmann Little & Co.** [investment co. specializing in leveraged buyouts]	**ITT Corp.** (12 industrial companies) [cable/wire, construction prdts., pumps, lighting fixtures, vacuum capacitors, resins]	370.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
101. **Coca-Cola Co.** [soft drinks, juices, motion picture prod'n.]	**Embassy Communications, Inc. and Tandem Productions** [television production, library of old TV series]	$ 365.0	(3)
102. **Pacific Telesis Group** [telecommunications]	**Communications Industries, Inc.** [mobile radio communications eqpt. & services]	359.9	(2)
103. **Citizens & Southern Georgia Corp.** [bank holding in Georgia]	**Citizens & Southern Corp.** [2nd largest bank holding in South Carolina]	358.9	(2)
104. **Washington Post Co.** [newspaper/magazine publisher, TV stations]	**Capital Cities Communications, Inc.** (cable TV operations) [54 systems with approx. 355,000 subscribers]	350.0	(1)
105. **Viacom International, Inc.** [cable TV, radio/TV stations]	**MTV Networks, Inc.** [cable TV with emphasis on rock videos]	339.2	(2)
106. **West Point-Pepperell, Inc.** [household goods, apparel, ind'l. fabrics]	**Cluett Peabody & Co.** [apparel]	330.9	(2)
107. **Ford Motor Co.** [U.S. 2nd largest auto maker]	**Sperry Corp.** (New Holland Division) [farm eqpt.]	330.0	(1)
108. **Standard Chartered Bank PLC—United Kingdom** [bank holding]	**United Bancorp of Arizona** [bank holding]	329.7	(2)
109. **Sunshine Mining Co.** [gold & silver mining]	**Woods Petroleum Co.** [oil prod'n.]	323.7	(2)
110. **Bank of Virginia Co.** [bank holding in Virginia]	**Union Trust Bancorp** [bank holding in Maryland]	320.2	(2)
111. **Bally Mfg. Corp.** [amusement parks, health clubs, casinos]	**MGM Grand Hotels, Inc.** [hotel-casino]	317.4	(2)
112. **International Controls Corp.** [aerospace prdts., electronics]	**Transway International Corp.** [freight-forwarding, marine transportation trailer mfg.]	316.1	(2)
113. **First Union Corp.** [bank holding in North Carolina]	**Northwestern Financial Corp.** [bank holding in North Carolina]	312.5	(2)
114. **NCNB Corp.** [largest bank holding in North Carolina]	**Bankers Trust of South Carolina** [3rd largest bank in South Carolina]	308.7	(2)
115. **Shamrock Holdings, Inc.** [broadcasting, cattle, real estate]	**Central Soya Co.**-remaining 89.2% [soybean processor]	301.9	(2)
* 116. **Wesray Capital Corp.** [investment co. specializing in leveraged buyouts]	**Beneficial Corp.** (Western Auto Supply Co.) [distributes automotive parts]	300.0	(1)
116. **L.B. Foster Co.** [oil field tubular prdts., rail & track accessories]	**Kidde, Inc.** (5 units) [locks, hinges, metal doors, security & cash handling eqpt. for banks]	300.0	(1)
116. **Procter & Gamble Co.** [soaps, household cleaners, food prdts., toiletries]	**Monsanto Co.** (consumer prdts. division of G.D. Searle) [over-the-counter drugs]	300.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
116.	**Rapid-American Corp.** [apparel, retailer]	**Household International, Inc.** (T.G.&Y. Stores Co.) [operates 700 variety & discount stores]	$ 300.0	(1)
*120.	**Private Group** [Alamito mgmt. led by Theodore M. Welp, chairman/CEO]	**Alamito Co.** [sells electricity to Tucson Electric Power Co and San Diego Gas & Electric Co.]	285.3	(2)
*121.	**Private Group** [led by Papercraft mgmt. and Citicorp]	**Papercraft Corp.** [gift wrapping paper & other household prdts.]	280.5	(2)
122.	**People Express Airlines, Inc.** [discount air carrier]	**Frontier Holdings, Inc.** [air carrier]	279.2	(2)
123.	**Eli Lilly & Co.** [pharmaceuticals, agri-chemicals, cosmetics]	**Hybritech, Inc.** [medical diagnostics]	279.1	(2)
124.	**Lincoln National Corp.** [insurance holding]	**Western Casualty & Surety Co.** [property/casualty insurance]	270.0	(2)
125.	**Greyhound Corp.** [transportation, consumer prdts., food services]	**Purex Industries, Inc.** (consumer prdts. division) [household cleaners & food prdts.]	264.0	(1)
126.	**Springs Industries, Inc.** [U.S. 5th largest textile co.]	**M. Lowenstein Corp.** [textiles; "Wamsutta" household goods]	262.8	(2)
127.	**American Express Co.** [financial services, banking, travel services]	**First Data Resources, Inc.**-remaining 25% [on-line database information services]	260.6	(2)
128.	**Limited, Inc.** [women's apparel stores]	**Rapid American Corp.** (Lerner Shops) [chain of women's specialty apparel shops]	260.0	(1)
129.	**Berkshire Hathaway, Inc.** [insurance holding]	**Scott & Fetzer Co.** [vacuum cleaners, encyclopedias]	255.2	(2)
130.	**Gannett Co., Inc.** [newspaper publishing, TV/radio stations, advertising]	**Des Moines Register & Tribune Co.** (4 newspapers, including flagship paper, Des Moines Register with daily cir. of 240,000)	255.0	(1)
131.	**Metropolitan Life Insurance Co.** [U.S. 2nd largest insurance co.]	**Transworld Corp.** (Century 21 Real Estate Corp.) [realtor]	251.0	(1)
132.	**Utilicorp United, Inc.** [gas/electric utility]	**InterNorth, Inc.** (Peoples Natural Gas Co.) [gas utility]	250.0	(1)
132.	**Fieldcrest Mills, Inc.** [household textile prdts.]	**Cannon Mills, Inc.** (towel, sheet & bedding accessory, kitchen prdts. & rug businesses)	250.0	(1)
134.	**Scripps Howard Broadcasting Co.** [TV/radio stations, cable TV]	**Capital Cities Communications, Inc.** (WXYZ-TV and WFTS-TV) [TV stations in Detroit and Tampa, FL, respectively]	246.0	(1)
135.	**Private Group** [private investor & Robertson shareholder, Paul A. Bilzerian]	**H.H. Robertson Co.** [construction & bldg. prdts.]	243.4	(2)
135.	**Bristol-Myers Co.** [pharmaceuticals & cosmetics]	**Genetic Systems Corp.** [biotechnology]	243.4	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
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(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
137.	**Transco Energy Co.** [gas pipelines, oil/gas expl'n.]	**Kaneb Services, Inc.** (coal operations in eastern KY and TN)	$ 238.0	(1)
138.	**Jones Intercable, Inc.** [cable TV]	**Tribune Co.** (9 cable TV systems serving approximately 300,000 subscribers)	237.5	(1)
139.	**Borg-Warner Corp.** [transportation eqpt., ind'l. prdts., chemicals, protective services]	**Chilton Corp.** [consumer credit rating services]	234.4	(2)
140.	**Envirodyne Industries, Inc.** [plastic flatware, drinking straws]	**Union Carbide Corp.** (film-packaging division)	230.0	(1)
141.	**National Distillers & Chemical Corp.** [chemicals, brass, liquor]	**Reliance Group Holding, Inc.** (Pargas, Inc.) [propane gas distributor]	225.0	(1)
141.	**W.A. Krueger Co. and Ringier AG (Switzerland)** [printing & publishing]	**Mobil Corp.** (W.F. Hall Printing Co.) [printers of paperback books]	225.0	(1)
141.	**Tyco Laboratories, Inc.** [fire protection eqpt., electrical prdts., electronics]	**ITT Corp.** (ITT Grinnell Corp.) [valves & other fire protection eqpt.]	225.0	(1)
144.	**Westinghouse Electric Corp.** [electrical eqpt., defense prdts., broadcasting]	**GenCorp Inc.** (KHJ-TV) [non-network TV station in Los Angeles]	220.0	(1)
145.	**Masco Corp.** [faucets & other specialty home prdts.]	**Merillat Industries, Inc.** [kitchen & bathroom cabinetry]	219.3	(3)
146.	**Fuqua Industries, Inc.** [recreational prdts.]	**Georgia Federal Bank** [bank in Georgia]	219.0	(2)
* 147.	**Private Group** [led by Citicorp]	**Johnson Controls, Inc.** (certain units of Hoover Universal Inc. & Ferro Mfg. Corp.) [aluminum prdts., material handling eqpt., aerospace parts, furniture parts]	217.0	(1)
148.	**VMS Realty, Inc.** [sells & manages real estate properties]	**City Investing Co.** (General Development Corp.) [develops communities in FL]	215.0	(1)
148.	**Freeport-McMoran, Inc.** [oil/gas, minerals]	**Phillips Petroleum Co.** (Geyers Geothermal Co.) [geothermal operations]	215.0	(1)
148.	**Minerals & Resources Corp. Ltd.-Bermuda** [natural resources]	**Inspiration Resources Corp.** (its 80% interest in Danville Resources Inc.) [oil/gas]	215.0	(1)
151.	**Chesapeake Corp.** [pulp, cardboard, plain brown paper]	**Philip Morris, Inc.** (Wisconsin Tissue Mills, Inc. and Plainwell Paper Co.) [tissue prdts. & printing papers]	214.0	(1)
152.	**Pacific Realty Corp.** [real estate development]	**Farm & Home Savings** [savings & loan in Missouri]	213.9	(2)
153.	**Ameritech** [telecommunications]	**Applied Data Research, Inc.** [computer software]	212.9	(2)
154.	**NCNB Corp.** [bank holding in North Carolina]	**Pan American Banks, Inc.** [bank holding in Florida]	212.1	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
155. **Amoco Corp.** [oil/gas]	**Union Carbide Corp.** (polymers & composites business)	$ 210.0	(1)
156. **Boatmen's Bancshares, Inc.** [bank holding in Missouri]	**General Bancshares Corp.** [interstate bank holding based in Missouri]	207.4	(2)
157. **Owens-Illinois, Inc.** [containers, disposable paper prdts., health care]	**Health Group, Inc.** (34 nursing homes & 12 acute-care hospitals)	200.0	(1)
157. **Johnstown American Cos.** [property mgmt. & other real estate services]	**Consolidated Capital Cos.** [sponsor/manager real estate investment programs]	200.0	(3)
157. **Metropolitan Life Insurance Co.** [U.S. 2nd largest insurance co.]	**CrossLand Savings Bank** (CrossLand Capital Corp.) [5th largest mortgage banker in U.S.]	200.0	(1)
160. **Ames Department Stores, Inc.** [discount department stores]	**G.C. Murphy Co.** [variety stores]	198.6	(2)
161. **Columbia Enterprises, Inc.** [investments]	**Mohasco Corp.** [furniture & carpets]	195.3	(2)
162. **Colt Industries, Inc.** [aerospace, automotive & ind'l. prdts.]	**Walbar, Inc.** [jet engine parts]	192.4	(2)
163. **Fleet Financial Group** [one-bank holding in Rhode Island]	**First Connecticut Bancorp** [bank holding in Connecticut]	192.2	(2)
164. **Crane Co.** [steel, cement, bldg. prdts., pollution-control eqpt.]	**Unidynamics Corp.** [ind'l. eqpt., engineered plastics]	190.0	(2)
164. **Sandoz Ltd.—Switzerland** [pharmaceuticals, agri-chemicals, seeds, foods]	**Martin Marietta Corp.** [specialty chemicals]	190.0	(1)
164. **General Motors Corp.** [world's largest auto/truck maker]	**CoreStates Financial Corp.** (Colonial Cos.) [mortgage banking & servicing]	190.0	(1)
164. **Undisclosed**	**Chevron Corp.** (Keydril Co.) [offshore oil drilling]	190.0	(1)
164. **Houston Industries, Inc.** [utility holding co.]	**Fluor Corp.** (Fluor Oil & Gas Corp. and Fluor Canada Ltd.) [domestic/int'l. oil/gas operations & engineering/construction]	190.0	(1)
169. **Cox Communications, Inc.** [TV/radio stations, cable TV]	**SFN Cos.** (WFTV) [an ABC affiliated TV station in Orlando, FL]	185.0	(1)
170. **First Union Corp.** [bank holding in North Carolina]	**First Bankers Corp. of Florida** [bank holding in Florida]	183.7	(2)
171. **Transco Energy Co.** [oil/gas expl'n. & development]	**Georgia-Pacific Corp.** (Exchange Oil & Gas Corp.) [oil/gas]	180.0	(1)
171. **Private Group** [led by J.H. Whitney Co. and Welsh, Carson, Carson, Anderson & Stowe, both venture capital firms]	**Mohawk Data Sciences, Inc.** (5 U.S. based computer service units)	180.0	(1)

\# Statutory Merger
* Leveraged Buyout

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Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
173.	**Private Group** [led by Jack Kent Cooke]	**Tribune Co.** (Los Angeles Daily News) [daily newspaper with cir. of 145,000]	$ 176.0	(1)
* 174.	**Private Group** [led by Dillon, Read & Co. and includes unit's mgmt.]	**Times Mirror Co.** (Times Mirror Microwave Communications, Inc.) [leases microwave transmission capacity to telephone cos.]	175.0	(1)
175.	**Eastman Kodak Co.** [photography, chemicals, electronics]	**Verbatim Corp.** [floppy disks & word processing systems]	174.8	(2)
176.	**National Intergroup, Inc.** [iron, steel, aluminum prdts.]	**Wesray Capital Corp.** (Permian Corp.) [U.S. largest transporter of crude oil]	172.0	(1)
177.	**Private Group** [led by Kenneth M. Good, a real estate developer]	**Gulfstream Land & Development Corp.** [land development & construction]	171.9	(2)
178.	**Private Group** [consists of Whitcom Investment, Cook Inlet Region Inc., and Paine Webber Group, Inc.]	**Capital Cities Communications, Inc.** (WTNH-TV) [TV station in Hartford, CT]	170.0	(1)
179.	**Circle K Corp.** [convenience stores]	**Shop & Go, Inc.** [convenience stores]	166.6	(2)
180.	**Private Group** [led by Jerry Perenchio, former co-owner of Embassy Communications]	**Loews Corp.** (motion picture theatre division) [operates 226 movie screens in 6 states]	165.0	(1)
181.	**Newmont Mining Corp.** [mining, oil/gas]	**Phillips Petroleum Co.** (Aminoil Petroleum Co.-Netherlands) [natural gas]	165.0	(1)
182.	**Kroger Co.** [U.S. 2nd largest food supermarket chain]	**Hook Drugs, Inc.** [drug store chain]	161.1	(2)
183.	**McKesson Corp.** [drug distributor]	**Spectro Industries, Inc.** [wholesale distributor drugs & medical supplies]	160.8	(2)
184.	**Pepsico, Inc.** [soft drinks, snack foods, restaurants]	**Allegheny Beverage Corp.** (Allegheny Pepsi-Cola Bottling Co.) [soft drink bottler]	160.0	(1)
184.	**Allied-Signal, Inc.** [aerospace, auto prdts., chemicals, ind'l. & technical prdts.]	**Oak Industries, Inc.** (Materials Group) [makes laminated materials for computer circuit boards]	160.0	(1)
184.	**Knight-Ridder Newspapers, Inc.** [newspaper publishing, business information services]	**Gannett Co., Inc.** (KTVY-TV, WALA-TV, KOLD-TV) [TV stations in Oklahoma City, OK; Mobile, AL and Tucson, AZ, respectively]	160.0	(1)
187.	**Southmark Corp.** [real estate & financial services]	**Ashland Oil, Inc.** (Integon Corp.) [insurance holding]	157.0	(1)
188.	**Service Merchandise Co., Inc.** [catalog showroom retailer]	**H.J. Wilson Co.** [catalog showroom retailer]	154.5	(2)
189.	**USACafes** [chain of "Bonanza" restaurants]	**Ponderosa, Inc.** [self service steak houses]	154.0	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
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Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
	190. Continental Telecom, Inc. [local telephone exchanges]	**Mohawk Data Sciences Corp.** (computer repair, leasing & credit businesses]	$ 152.5	(1)
	191. USLICO Corp. [life insurance for the military]	**International Bank** [commercial bank based in Washington, D.C.]	150.8	(2)
	192. Whirlpool Corp. [major electrical appliances]	**Dart & Kraft, Inc.** (Kitchen Aid) [dishwashers, range tops, built-in ovens]	150.0	(1)
*	**192. Wesray Capital Corp.** [investment co. specializing in leveraged buyouts]	**Pepsico, Inc.** (Wilson Sporting Goods) [mfrs. full line of sporting goods]	150.0	(1)
	192. FMC Corp. [specialty machinery, chemicals, defense eqpt.]	**Gulf Resources & Chemical Corp.** (Lithium Corp. of America and BS&B Engineering Co.) [nation's largest producer of lithium; mfrs. oil field/processing eqpt.]	150.0	(1)
	192. Jefferson Smurfit Group Ltd.-Ireland [boxes, paperboard, printing]	**Times Mirror Co.** (80% of Publishers Paper Co.) [mfrs. newsprint]	150.0	(1)
	192. Private Group [led by Oppenheimer Holdings mgmt.]	**Mercantile House Holdings PLC-United Kingdom** (82% of Oppenheimer Holdings, Inc.) [securities broker & investment banker]	150.0	(1)
	197. First Union Corp. [bank holding in North Carolina]	**Southern Bancorp** [bank holding in South Carolina]	147.7	(2)
	198. Zayre Corp. [self service discount department stores]	**Homeclub, Inc.** [chain of membership clubs selling home-improvement prdts.]	146.9	(3)
	199. Fidelcor, Inc. [bank holding in Pennsylvania]	**IVB Financial Corp.** [bank holding in Pennsylvania]	146.0	(2)
*	**200. Private Group** [led by former Times Fiber chairman, Lawrence DeGeorge]	**Times Fiber Communications, Inc.** [coaxial cable assemblies & optical fiber]	145.8	(2)
	201. Blue Circle Industries PLC—United Kingdom [cement & related prdts.]	**Newmont Mining Corp.** (Atlantic Cement Co.) [cement producer]	145.0	(1)
	201. Commonwealth Savings Association [savings & loan based in Texas]	**General Electric Co.** (General Electric Mortgage Corp.) [mortgage banking]	145.0	(1)
	203. Sterling Software, Inc. [computer software]	**Informatics General Corp.** [computer software]	143.9	(2)
	204. Pacific Gas & Electric Co. [electric/gas utility]	**Pacific Gas Transmission Co.**-remaining 49.8% [natural gas pipeline]	141.7	(2)
	205. Private Group [led by William Lyon, a real estate developer, and James D. Harper, former real estate chief of Continental Illinois]	**Senior Corp.** [real estate holding]	141.0	(3)
	206. Kerr-McGee Corp. [petroleum, chemicals, nuclear power, coal]	**DeltaUS Corp.** (all oil/gas assets) [expl'n., dev. & prod'n.]	140.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
* **207. Private Group** [led by Edwin L. Cox Jr., a Texas investor]	**Swift Independent Corp.** [U.S. largest pork packer]	$ 139.8	(2)
208. Advance Publications [newspaper/magazine publisher, cable TV]	**New Yorker Magazine, Inc.** [publisher weekly magazine with cir. of 500,746]	138.1	(2)
209. BASF AG-W. Germany [chemicals & plastics]	**Celanese Corp.** (structural composites operations)	135.0	(1)
* **209. Private Group** [led by Crucible mgmt. & includes an ESOP]	**Colt Industries, Inc.** (Crucible Materials and Crusteel Ltd.) [specialty steel, tubing, ind'l. magnets & powder metallurgy; distributor stainless steel fittings]	135.0	(1)
211. Diversified Energies, Inc. [energy services]	**Dyco Petroleum Corp.** [oil/gas exploration; manages public drilling investment programs]	131.0	(2)
212. Unocal Corp. [integrated domestic oil co.]	**Chevron Corp.** (its 16.78% interest in Colonial Pipeline Co.) [largest petroleum prdts. pipeline system]	130.0	(1)
212. Harcourt Brace Jovanovich, Inc. [publishing]	**City Investing Co.** (Federal Home Life Insurance Co. and PHF Life Insurance Co.) [life, accident & health insurance]	130.0	(1)
212. Rouse Co. [center/city developers]	**CIGNA Corp.** (its 80% interest in Howard Research & Development Corp.) [land development]	130.0	(1)
215. Itel Corp. [leases cargo containers & railroad cars]	**Great Lakes International Inc.**- remaining 72.8% [dredging & harbour improvement]	128.9	(2)
216. Alleghany Corp. [investment mgmt. services; fabricated steel prdts.]	**Lincoln National Corp.** (Chicago Title & Trust Co.) [title insurance]	128.0	(1)
217. Pullman Co. [aircraft seating, truck trailers, galley food services]	**Peabody International Corp.** [pollution-control eqpt., fluid & material handling eqpt.]	127.2	(2)
218. Lockheed Corp. [aerospace, aircraft, computer information systems]	**Metier Management Systems, Inc.** [group of 5 cos. that provide computer project mgmt. services]	127.0	(3)
219. Convergent Technologies, Inc. [minicomputers & desk-top computers]	**3Com Corp.** [mfrs. local-area-network eqpt. that links groups of computers]	126.7	(2)
220. United Jersey Banks [bank holding in New Jersey]	**Franklin Bancorp.** [bank holding in New Jersey]	126.1	(2)
221. Ryder System, Inc. [transportation services]	**Aviall, Inc.** [aviation services]	125.5	(2)
222. Owens-Illinois, Inc. [glass/plastic containers, financial services]	**Florida National Banks of Florida, Inc.** (Alliance Mortgage Co.) [residential/commercial mortgages]	125.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
*	222. **Private Group** [led by Morgan, Lewis, Githens & Ahn Inc. & includes Ecusta mgmt.]	**Olin Corp.** (Ecusta cigarette paper & fine printed paper business)	$ 125.0	(1)
	222. **General Motors Corp.** [world's largest auto/truck maker]	**Norwest Corp.** (Norwest Mortgage, Inc.) [mortgage banking]	125.0	(1)
*	222. **Private Group** [led by Riordan Freeman & Spogli and includes P&C mgmt.]	**IC Industries Inc.** (P&C Food Markets) [grocery retailer/wholesaler]	125.0	(1)
	222. **Chrysler Corp.** [U.S. 3rd largest auto maker]	**E.F. Hutton Group, Inc.** (E.F. Hutton Credit Corp.) [commercial lending & leasing]	125.0	(1)
	227. **Puget Sound Bancorp** [bank holding in Washington]	**Savings Bank of Puget Sound** [bank holding in Washington]	124.5	(2)
	228. **Emhart Corp.** [ind'l. machinery & builders hardware]	**Mite Corp.** [fasteners & other ind'l. prdts.]	124.4	(2)
	229. **Viacom International, Inc.** [broadcasting, cable TV, distributor TV programs]	**CBS, Inc.** (KMOX-TV) [TV station in St. Louis, MO]	122.5	(1)
	230. **Mobile Communications Corp. of America** [radio communications & answering services]	**MCI Communications Corp.** (MCI Airsignal) [cellular & paging operations]	121.5	(1)
	231. **Sundstrand Corp.** [aerospace prdts., hydraulic eqpt.]	**Caterpillar Tractor Co.** (Turbomach) [small gas turbine engines for aircraft]	121.0	(1)
	232. **Southwestern Bell Corp.** [telephone services holding]	**Continental Telecom, Inc.** (Mast Publishing & Advertising, Inc.) [publishers phone directories]	120.0	(1)
	232. **Colgate-Palmolive Co.** [household & personal care prdts.]	**American Hospital Supply Corp.** (McGaw Division) [intravenous solutions & eqpt.]	120.0	(1)
	232. **PacifiCorp** [utility holding]	**Hyster Co.** (Hyster Credit Corp.) [leasing & financial services]	120.0	(1)
	235. **United Virginia Bankshares, Inc.** [bank holding in Virginia]	**NS&T Bankshares, Inc.** [bank holding in Washington, D.C.]	119.4	(3)
	236. **Mellon Bank Corp.** [U.S. 11th largest bank holding based in Pennsylvania]	**Commonwealth National Financial Corp.** [one-bank holding in Pennsylvania]	119.2	(2)
	237. **Clabir Corp.** [military ordnance prdts., precision components, financial services, real estate]	**General Defense Corp.**-remaining 77% [munitions parts, jet engine parts]	118.4	(2)
*	238. **Private Group** [led by unit's mgmt.]	**Dunlop Holdings PLC—United Kingdom** (Dunlop Tire & Rubber Corp.) [U.S. subsidiary mfg. tires]	118.0	(1)
	239. **Boeing Co.** [jet airplanes & missiles]	**de Havilland Aircraft of Canada Ltd.** [designs/mfrs. commuter turbo-prop aircraft]	116.3	(4)
	240. **American Can Co.** [containers, packaging, retail, financial services]	**Berg Enterprises** [residential & commercial real estate mgmt., mortgage banking]	114.5	(2)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller
(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

	Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
241.	**Fleet Financial Group** [bank holding in Rhode Island]	**Merrill Bankshares Co.** [bank holding in Maine]	$ 114.4	(2)
242.	**Citizens Financial Group** [bank holding in Rhode Island]	**Capitol Bancorporation** [one-bank holding in Maine]	113.9	(2)
243.	**Unilever N.V.-Netherlands** [food processor]	**Anderson, Clayton & Co.** (Anderson Clayton S.A.-Brazil and Anderson Clayton S.A.-Mexico) [food processors]	112.5	(1)
244.	**Bethlehem Steel Corp.** [U.S. 2nd largest steel co.]	**J.M. Tull Industries, Inc.** [mfrs., processes & distributes metal prdts.]	112.0	(2)
245.	**Heritage Communications, Inc.** [cable TV, display communications & graphics]	**Warner Amex Cable Communications, Inc.** (cable TV system serving Dallas, TX)	110.0	(1)
245.	**Undisclosed**	**Easco Corp.** (hand-tool business) [principal supplier of "Craftsman" tools to Sears stores]	110.0	(1)
245.	**Cargill, Inc.** [commodity processor & merchant]	**Charter Co.** (Northeast Petroleum Industries, Inc.) [wholesale marketer petroleum prdts.]	110.0	(1)
*248.	**Private Group** [led by Gibbons, Green van Amerongen and includes Rival mgmt.]	**Rival Manufacturing Co.** [electrical appliances]	109.9	(2)
249.	**Private Group** [limited partnership arranged by Integrated Resources Inc.]	**Wells Fargo & Co.** (residential mortgage banking unit)	108.0	(1)
249.	**Union Pacific Corp.** [railroad holding]	**Katy Industries, Inc.** (Missouri-Kansas-Texas Railroad)	108.0	(1)
249.	**UNC Resources, Inc.** [mining, shipbuilding, nuclear components, oil field services]	**Purex Industries, Inc.** (Airwork Corp. and Pacific Airmotive Corp. Inc.) [repairs & maintains aircraft engines]	108.0	(1)
252.	**Equity Group Holdings** [investment co.]	**Easco Corp.**-remaining 78% [aluminum prdts. & ind'l. gratings]	107.8	(2)
253.	**CBS, Inc.** [broadcasting, publishing, record prod'n.]	**Taft Broadcasting Co.** (KTXQ-FM, KLTR-FM, WLTT-FM, WSUN-AM, WYNF-FM) [5 radio stations in Dallas/Ft. Worth, TX; Houston, TX; Washington, D.C.; and Tampa, FL, respectively]	107.5	(1)
254.	**Kloeckner-Humboldt-Deutz AG-W. Germany** [engine turbines, tractors, other agricultural mchy.]	**Allis-Chalmers Corp.** (agricultural eqpt. business & credit co.)	107.0	(1)
255.	**Nationale-Nederlanden N.V.-Netherlands** [insurance holding]	**National Distillers & Chemical Corp.** (Indiana Insurance Co.)	105.0	(1)

\# Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*	
255. **Continental Telecom, Inc.** [telephone services holding]	**Fairchild Industries, Inc.** (remaining 50% of American Satellite Co. and Space Communications Co.) [teleconferencing services; tracking & relay data services for NASA]	$ 105.0	(1)
257. **Primark Corp.** [holding co.; natural gas distribution; telecommunications; financial services]	**Aviation Group Inc.** [operates planes for overnight delivery; leases TV sets to hotels]	103.5	(2)
258. **Hall Financial Group** [controlled by Dallas investor Craig Hall]	**May Petroleum, Inc.** [oil/gas expl'n. & develop't.]	103.2	(2)
259. **Marine Corp.** [bank holding in Wisconsin]	**First Interstate Corp. of Wisconsin** [bank holding in Wisconsin]	102.5	(2)
260. **Great American First Savings Bank** [bank based in California]	**Home Federal Savings & Loan Association** [S&L based in Arizona]	102.3	(2)
261. **Emhart Corp.** [shoemaking, bottling & other specialty mchy.]	**Allegheny International, Inc.** (True Temper) [lawn & garden tools & prdts.]	102.0	(1)
262. **Pfizer, Inc.** [specialty chemicals; consumer & healthcare prdts.]	**American Medical Systems, Inc.** [urological devices]	101.2	(3)
*263. **Private Group** [led by Asher B. Edelman, Datapoint chairman]	**Datapoint Corp.**-remaining 89% [computer & office prdts; systems]	101.1	(2)
264. **Loral Corp.** [defense electronics]	**International Business Machines Corp.** (Mil-Spec Computer Division) [military computers]	100.0	(1)
265. **Times Mirror Co.** [newspapers; broadcasting; cable TV]	**Xerox Corp.** (Xerox Learning Systems) [provides sales training courses]	100.0	(1)
266. **Kemira Oy-Finland** [chemicals]	**American Cyanamid Co.** (titanium-dioxide pigment business)	100.0	(1)
267. **Det Norske Oljesel-skiap A/S-Netherlands**	**Phillips Petroleum Co.** (GAO North Sea Ltd. and GAO North Sea Exploration Ltd.) [oil/gas units in Netherlands]	100.0	(1)
268. **Bell & Howell Corp.** [business & office eqpt.]	**Xerox Corp.** (University Microfilms International) [publishes microfilms]	100.0	(1)
269. **Commercial Shearing, Inc.** [engineered metal prdts.]	**Minstar, Inc.** (AMF Specialty Materials, Inc.) [filtration prdts.]	100.0	(1)
270. **Hillenbrand Industries, Inc.** [hospital eqpt.; luggage]	**Support Systems International, Inc.** [specialty hospital beds]	100.0	(3)

Statutory Merger
* Leveraged Buyout

(1) Divestiture
(2) Public Seller

(3) Private Seller
(4) Foreign Seller

Source: W.T. Grimm & Co.

THE 100 LARGEST TRANSACTIONS IN HISTORY

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
1.	Chevron Corp. Gulf Corp.	$13,205.6	1984
2.	Texaco, Inc. Getty Oil Co.	10,128.9	1984
3.	Du Pont Co. Conoco, Inc.	8,039.8	1981
4.	U.S. Steel Corp. Marathon Oil Co.	6,618.5	1981
5.	General Electric Corp. RCA Corp.	5,965.1	1985
6.	Mobil Corp. Superior Oil Co.	5,725.8	1984
7.	Philip Morris Cos. General Foods Corp.	5,627.5	1985
8.	Royal Dutch/Shell Group-Netherlands Shell Oil Co.-remaining 30.5%	5,467.9	1984
*9.	Kohlberg, Kravis, Roberts & Co. Beatrice Cos.	5,361.6	1985
#10.	Santa Fe Industries, Inc. Southern Pacific Co.	5,099.1	1983
11.	General Motors Co. Hughes Aircraft Co.	5,025.0	1985
12.	R.J. Reynolds Industries, Inc. Nabisco Brands, Inc.	4,906.4	1985
13.	Allied Corp. Signal Cos., Inc.	4,476.1	1985
14.	Societe Nationale Elf Aquitaine-France Texasgulf, Inc.	4,293.7	1981
#15.	Connecticut General Corp. INA Corp.	4,211.7	1981
16.	Occidental Petroleum Corp. Cities Service Co.	4,115.6	1982
17.	U.S. Steel Corp. Texas Oil & Gas Corp.	4,094.4	1985
18.	Baxter Travenol Laboratories, Inc. American Hospital Supply Corp.	3,702.6	1985
19.	Shell Oil Co. Belridge Oil Co.	3,653.0	1979
20.	Capital Cities Communications, Inc. American Broadcasting Cos.	3,526.8	1985
*21.	Private Group-led by Macy management R.H. Macy & Co.	3,484.7	1985
22.	Occidental Petroleum Corp. MidCon Corp.	3,085.6	1985

\# Statutory Merger
* Leveraged Buyout

Source: W.T. Grimm & Co.

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
23.	Nestle S.A.-Switzerland Carnation Co.	$ 2,885.4	1984
24.	Monsanto Co. G.D. Searle & Co.	2,717.1	1985
25.	Fluor Corp. St. Joe Minerals Corp.	2,694.2	1981
26.	Seagram Co. Ltd.-Canada Conoco, Inc. (26%)	2,576.0	1981
27.	General Motors Corp. Electronic Data Systems Corp.	2,545.6	1984
28.	Beatrice Foods Co. Esmark, Inc.	2,508.6	1984
29.	Kuwait Petroleum Corp.-Kuwait Santa Fe International Corp.	2,486.1	1981
30.	Kiewit-Murdock Investment Corp. Continental Group, Inc.	2,482.0	1984
31.	Coastal Corp. American Natural Resources Co.	2,445.5	1985
#32.	Kraft, Inc. Dart Industries, Inc.	2,400.0	1980
32.	Broken Hill Proprietary Co.-Australia General Electric Co. (Utah International, Inc.)	2,400.0	1983
#34.	Cleveland Electric Illuminating Co. Toledo Edison Co.	2,386.0	1985
#35.	Freeport Minerals Co. McMoran Oil & Gas Co.	2,319.9	1980
36.	Sun Co., Inc. Seagram Co. Ltd.-Canada (Texas Pacific Oil Co.)	2,300.0	1980
37.	InterNorth, Inc. Houston Natural Gas Corp.	2,260.4	1985
38.	Standard Oil Co. of Ohio Kennecott Corp.	2,061.3	1981
39.	Olympia & York Developments Ltd.-Canada Chevron Corp. (its 60.2% interest in Gulf Canada Ltd.)	2,042.3	1985
40.	General Electric Co. Utah International, Inc.	1,906.5	1975
#41.	Wachovia Corp. First Atlanta Corp.	1,845.3	1985
#42.	Nabisco, Inc. Standard Brands, Inc.	1,827.1	1981
43.	Champion International Corp. St. Regis Corp.	1,813.7	1984
#44.	Southern Railway Norfolk & Western Railway	1,730.2	1980

\# Statutory Merger
* Leveraged Buyout

Source: W.T. Grimm & Co.

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
45.	Phillips Petroleum Co. R.J. Reynolds Industries, Inc. (Energy Operations)	$ 1,700.0	1984
46.	Mobil Oil Corp. Marcor, Inc. Mobil acquired 54% in 1974 and remaining interest in 1976.	1,687.2	1974 & 1976
47.	Rockwell International Corp. Allen-Bradley Co.	1,650.0	1985
48.	Pantry Pride, Inc. Revlon, Inc.	1,638.7	1985
49.	Procter & Gamble Co. Richardson-Vicks, Inc.	1,611.4	1985
50.	Time Inc., Tele-Communications Inc. Comcast Corp., Daniels & Associates, Century Southwest Communications Corp. Westinghouse Electric Corp. (Group W Cable)	1,600.0	1985
51.	American General Corp. NLT Corp.	1,593.7	1982
52.	Xerox Corp. Crum & Forster	1,572.3	1982
53.	Dun & Bradstreet Corp. A.C. Nielsen Co.	1,571.2	1984
*54.	Private Group-includes Storer management Storer Communications, Inc.	1,569.3	1985
55.	Manufacturers Hanover Corp. RCA Corp. (C.I.T. Financial Corp.)	1,510.0	1983
*56.	Private Group-Metromedia's management Metromedia, Inc.	1,476.9	1983
57.	Turner Broadcasting System, Inc. MGM/UA Entertainment Co.	1,440.9	1985
58.	Dome Petroleum Ltd.-Canada Conoco, Inc. (20%) Dome acquired 20% of Conoco shares through a cash tender offer. Conoco then agreed to sell its controlling interest in Hudson's Bay Oil & Gas to Dome for $1.68 billion which consisted of $245 million in cash and the 20% of Conoco shares Dome had acquired.	1,430.0	1981
#59.	Schering Corp. Plough, Inc.	1,428.6	1970
60.	Diamond Shamrock Corp. Natomas Co.	1,354.5	1983
61.	RCA Corp. C.I.T. Financial Corp.	1,350.0	1979
62.	Allied Corp. Bendix Corp.	1,334.8	1982
*63.	Private Group-led by Gypsum management National Gypsum Co.	1,327.0	1985

\# Statutory Merger
* Leveraged Buyout

Source: W.T. Grimm & Co.

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
64	R.J. Reynolds Industries, Inc. Heublein, Inc.	$ 1,302.6	1982
65	Burlington Northern, Inc. El Paso Co. Burlington acquired 48% in 1982 and the remainder in 1983.	1,279.6	1982 & 1983
66	Cox Enterprises, Inc. Cox Communications, Inc.-remaining 59.8%	1,265.2	1985
*67	Private Group-includes management of units City Investing Co. (Rheem Mfg. Co., World Color Press Inc., Uarco Inc.)	1,251.0	1984
68	IBM Corp. Rolm Corp.-remaining 77%	1,245.8	1984
69	Chesebrough-Pond's, Inc. Stauffer Chemical Co.	1,218.0	1985
70	Newmont Mining Corp., Williams Cos., et al. Kennecott Copper Corp. (Peabody Coal Co.)	1,200.0	1976
#71	Sun Banks, Inc. Trust Co. of Georgia	1,191.8	1984
*72	Private Group-includes Eckerd management Jack Eckerd Corp.	1,181.7	1985
#73	Mercantile Texas Corp. Southwest Bancshares, Inc.	1,175.6	1983
74	Baldwin-United Corp. MGIC Investment Corp.	1,174.5	1981
75	Textron, Inc. Avco Corp.	1,169.6	1984
76	Exxon Corp. Reliance Electric Co.	1,160.0	1979
77	American Medical International, Inc. Lifemark Corp.	1,144.5	1983
78	Phillips Petroleum Co. General American Oil Co. of Texas	1,140.9	1983
79	MidCon Corp. United Energy Resources, Inc.	1,140.6	1985
80	Bendix Corp. Martin Marietta Corp. (70%)	1,118.3	1982
*81	Private Group-led by Levi management Levi Strauss & Co.	1,108.2	1985
82	Cooper Industries, Inc. McGraw-Edison Co.	1,076.6	1985
83	General Electric Co. Texaco, Inc. (Employers Reinsurance Corp.)	1,075.0	1984
84	Schlumberger Ltd. Sedco, Inc.	1,055.9	1984
85	CSX Corp. Texas Gas Resources Corp.	1,053.5	1983

\# Statutory Merger
* Leveraged Buyout

Source: W.T. Grimm & Co.

Rank	BUYER / SELLER *(In the case of divestitures, the unit sold is identified and appears in parenthesis.)*	Approximate Price Paid (Millions)	Year Announced
86.	SmithKline Corp. Beckman Instruments, Inc.	$ 1,045.1	1981
87.	Texas Eastern Corp. Petrolane, Inc.	1,044.5	1984
#88.	Chessie Systems, Inc. Seaboard Coast Line Industries, Inc.	1,037.5	1978
89.	Royal Dutch/Shell Group-Netherlands Occidental Petroleum Corp. (Colombia-Cities Service Petroleum Corp.)	1,035.0	1985
90.	American General Corp. Gulf United Corp.	1,012.0	1983
91.	BASF-AG-W. Germany United Technologies Corp. (Inmont Corp.)	1,000.0	1985
91.	Wickes Cos. Gulf & Western Industries, Inc. (Consumer & Industrial Products Group)	1,000.0	1985
93.	Xerox Corp. Scientific Data Systems, Inc.	999.9	1969
*94.	Private Group-led by William F. Farley Northwest Industries, Inc.	994.6	1985
95.	American Express Co. Shearson Loeb Rhoades, Inc.	943.0	1981
96.	Union Pacific Missouri Pacific Corp.	920.1	1980
97.	Alcan Aluminum Ltd.-Canada Atlantic Richfield Co. (majority of aluminum operations)	896.0	1984
98.	Martin Marietta Corp. Bendix Corp. (50%)	892.5	1982
*99.	Private Group-includes Multimedia management Multimedia, Inc.	887.4	1985
100.	Canadian Pacific Enterprises Ltd.-Canada International Paper Co. (Canadian International Paper Co.)	880.0	1981

\# Statutory Merger
* Leveraged Buyout

Source: W.T. Grimm & Co.

MEDIUM OF PAYMENT

In monitoring the form of payment utilized to execute a transaction, the W.T. Grimm & Co. Research Department classifies the payment medium into four types: (1) cash, which can consist of internal or borrowed funds, (2) stock, common or preferred, (3) combination of cash, stock and/or debt, and (4) debt, which solely refers to notes or debentures issued by the acquiring company to the seller. The number of transactions within each of the four payment mediums along with the respective percentages of all transactions disclosing the method of payment are provided in Figure 9.

In 1985, **cash** continued to be the dominant form of payment. Based on the 1,468 transactions for which payment data were available, 742 or 51% were cash deals, up from 465 or 43% in 1984. The widespread availability of financing coupled with managements' greater tolerance of higher debt ratios have led to a substantial jump in cash payments, increasing from 32% in 1983 to the current 51%, which was the highest proportion of cash transactions since the 53% recorded in 1979. (See Figure 9.)

The exchange of **stock,** on the other hand, numbered 344 or 23% of transactions disclosing payment forms, compared with 281 or 26% in 1984. In 1983 stock had become the dominant form of payment for the first time in ten years. (See Figure 9.) The robust stock market of 1983 enabled corporate acquirers to use equity rather than internal or borrowed cash. The Dow Jones Industrial Average in 1984, however, plunged 200 points, falling from a high of 1286.64 in January to a 17-month low of 1086.57 in July. The stock market did not regain its bullish momentum until the latter part of 1985, when the DJIA reached a high of 1553.10 in December.

In 1984 stock was the dominant payment method in only four of the 50 W. T. Grimm & Co. industry classifications: Drugs, Medical Supplies & Equipment; Office Equipment & Computer Hardware; Communications; and Banking & Finance. Because the shares of companies in the first three industries usually trade at higher multiples, corporate acquirers within these industries normally issue stock to the selling company. Another characteristic common to these three industries is their substantial commitment to research and development, and rather than reduce the critical R&D budget, will regularly finance an acquisition with common or preferred stock. In 1985, however, stock lost its prominence in the Drugs and Communications industries. Stock transactions in Communications dropped from 83% in 1984 to 41% in 1985, and in Drugs declined from 47% to 21%. Both industries witnessed a substantial increase in divestitures, resulting in a higher incidence of cash deals. Cash is usually the preferred payment for divestitures. (See Figure 10.) Stock continued to be the dominant payment method in Office Equipment & Computer Hardware, accounting for 45% of transactions disclosing payment form.

Historically, stock has always been the preferred medium of payment among bank holding companies. Due to the regulatory environment of the banking industry, banks must maintain high equity ratios and are, therefore, discouraged from issuing cash payments.

Combinations of cash, stock and/or debt accounted for 377 or 26% of the transactions in 1985, compared with 320 or 30% in the previous year. The majority of combination payments are one of two types, cash and notes or cash and stock. Cash and notes are most often used for divestitures, while cash and stock are used for acquisitions. The cash/stock payment offers advantages to both buyer and seller by combining tax breaks for the seller and minimizing cash outlays for the buyer. The taxable cash portion is usually limited to less than half of the acquisition's purchase price. The stock portion is then tax free or tax deferred to the seller, while the acquirer is able to meet his cash flow needs.

Debt as a sole method of payment was utilized in only five transactions, compared with 13 in 1984.

PAYMENT TRENDS
1964 — 1985

Year	Number (Percent of Deals Disclosing Payment Form)			
	Cash	Stock	Combination	Debt
1964	1,248 (64%)	702 (36%)	—	*
1965	1,436 (67%)	604 (30%)	85 (3%)	*
1966	1,438 (60%)	802 (35%)	119 (5%)	*
1967	1,077 (36%)	1,783 (60%)	115 (4%)	*
1968	1,314 (29%)	2,762 (62%)	386 (9%)	*
1969	1,667 (32%)	2,945 (57%)	569 (11%)	*
1970	1,023 (29%)	1,834 (52%)	575 (16%)	91 (3%)
1971	961 (32%)	1,441 (49%)	514 (17%)	47 (2%)
1972	1,120 (34%)	1,696 (51%)	475 (14%)	37 (1%)
1973	1,113 (41%)	1,172 (44%)	365 (14%)	36 (1%)
1974	805 (48%)	555 (33%)	259 (16%)	53 (3%)
1975	585 (48%)	325 (27%)	285 (23%)	30 (2%)
1976	656 (52%)	327 (26%)	250 (20%)	22 (2%)
1977	663 (54%)	322 (26%)	224 (18%)	29 (2%)
1978	539 (46%)	353 (30%)	273 (23%)	17 (1%)
1979	654 (53%)	323 (26%)	247 (20%)	9 (1%)
1980	522 (47%)	345 (31%)	237 (21%)	17 (1%)
1981	542 (42%)	448 (34%)	301 (23%)	18 (1%)
1982	405 (38%)	317 (29%)	338 (31%)	23 (2%)
1983	350 (32%)	387 (35%)	362 (33%)	9 (—)
1984	465 (43%)	281 (26%)	320 (30%)	13 (1%)
1985	742 (51%)	344 (23%)	377 (26%)	5 (—)
	19,325	20,068	6,676	456

* A separate tally of debt payments began in 1970. Prior to 1970, debt was included in cash payments.

Source: W.T. Grimm & Co.

Figure 9.

Historical Note

The exchange of stock, which was the primary means of payment from 1967 to 1973, has been declining since 1968. Because the Dow Jones Industrial Average had plunged to a low of 577.60 in 1974, corporate acquirers were no longer able to offer favorable stock packages to prospective sellers. As a result, cash became the dominant form and remained so until 1983, when the Dow reached a record high of 1287.20.

Among the four transaction types shown in Figure 10, cash payments increased for divestitures and acquisitions of foreign sellers. Stock, however, continued to be the preferred method of payment for acquisitions of privately held companies.

Contrary to acquisitions of public companies, most purchases of privately held companies are transacted through an exchange of stock. Owners of private entities choose securities in order to avoid paying a capital gains tax. Unlike a publicly traded concern, where there are many shareholders, a privately held business has one owner or very few holders, usually members of the owner's family. Hence, their concern for tax liability is much greater. Furthermore, in many instances, management/owners remain with the company expecting to contribute to the future growth of the newly merged entity, thereby profiting from the stock's appreciation.

Cash, on the other hand, is the more favored payment method among acquirers of public companies because it requires less disclosure on the part of the buyer. When issuing securities to the selling shareholders, the acquiring company is obliged to disclose ample information on its business operations and financial condition so that the selling holders can determine both the present and potential value of the buyer's securities.

Due to the selling parent company's need for liquidity, most divestitures are transacted with cash. Since divestitures are utilized to accomplish corporate restructuring goals, the parent companies prefer cash in order to pay down debt or to reinvest in those businesses that have been targeted for growth.

COMPOSITION OF NET ACQUISITION ANNOUNCEMENTS
PAYMENT BREAKDOWN
1981 — 1985

	1981	1982	1983	1984	1985
Divestitures					
Cash	225 (62%)	162 (53%)	113 (45%)	152 (57%)	354 (71%)
Stock	27 (7%)	20 (6%)	24 (9%)	15 (5%)	26 (5%)
Combination	105 (29%)	119 (39%)	115 (45%)	96 (36%)	114 (23%)
Debt	8 (2%)	6 (2%)	2 (1%)	5 (2%)	3 (1%)
Acquisitions of Publicly Traded Companies					
Cash	89 (56%)	98 (55%)	94 (51%)	134 (65%)	182 (57%)
Stock	38 (24%)	34 (19%)	52 (28%)	34 (16%)	78 (25%)
Combination	31 (19%)	44 (25%)	37 (20%)	35 (17%)	56 (18%)
Debt	2 (1%)	1 (1%)	1 (1%)	4 (2%)	1 (—)
Acquisitions of Privately Held Companies					
Cash	213 (28%)	137 (24%)	129 (20%)	167 (29%)	170 (28%)
Stock	379 (50%)	256 (44%)	306 (48%)	226 (39%)	234 (39%)
Combination	159 (21%)	169 (29%)	202 (31%)	180 (31%)	195 (33%)
Debt	8 (1%)	16 (3%)	6 (1%)	4 (1%)	1 (—)
Acquisitions of Foreign Sellers					
Cash	15 (60%)	8 (38%)	14 (52%)	12 (45%)	36 (67%)
Stock	4 (16%)	7 (33%)	5 (18%)	6 (22%)	6 (11%)
Combination	6 (24%)	6 (29%)	8 (30%)	9 (33%)	12 (22%)
Debt	— —	— —	— —	— —	— —
All Transactions					
Cash	542 (42%)	405 (38%)	350 (32%)	465 (43%)	742 (51%)
Stock	448 (34%)	317 (29%)	387 (35%)	281 (26%)	344 (23%)
Combination	301 (23%)	338 (31%)	362 (33%)	320 (30%)	377 (26%)
Debt	18 (1%)	23 (2%)	9 (—)	13 (1%)	5 (—)

All totals are based on those transactions providing information on form of payment.

Source: W. T. Grimm & Co.

Figure 10.

In comparing the forms of payment with respect to the dollar value of the transaction, cash continued to be the dominant payment form for every dollar value category. Figure 11 provides a method of payment breakdown on five dollar value categories. The numbers and their respective percentages represent only those deals which disclosed both a purchase price and payment form.

FORMS OF PAYMENT
COMPARISON BY VALUE OF DEALS
1979 — 1985

	1979	1980	1981	1982	1983	1984	1985
Price Paid Value of $25 Million or Less							
Cash	340 (49%)	271 (46%)	303 (41%)	203 (39%)	156 (31%)	165 (37%)	307 (48%)
Stock	230 (33%)	199 (34%)	290 (39%)	151 (29%)	185 (37%)	129 (29%)	162 (26%)
Combination	114 (17%)	108 (18%)	130 (18%)	153 (29%)	156 (31%)	145 (33%)	159 (25%)
Debt	5 (1%)	11 (2%)	12 (2%)	15 (3%)	4 (1%)	6 (1%)	5 (1%)
	689	589	735	522	501	445	633
$25.1 Million-$50.0 Million							
Cash	60 (67%)	56 (55%)	50 (52%)	32 (41%)	40 (41%)	66 (60%)	89 (58%)
Stock	13 (15%)	26 (26%)	28 (29%)	18 (23%)	30 (30%)	18 (16%)	31 (20%)
Combination	15 (17%)	18 (18%)	16 (17%)	26 (33%)	27 (27%)	26 (24%)	33 (22%)
Debt	1 (1%)	1 (1%)	2 (2%)	2 (3%)	2 (2%)	— —	— —
	89	101	96	78	99	110	153
$50.1 Million-$100.0 Million							
Cash	42 (62%)	40 (63%)	37 (54%)	36 (50%)	32 (42%)	59 (65%)	76 (68%)
Stock	10 (15%)	12 (19%)	17 (25%)	11 (15%)	14 (18%)	11 (12%)	18 (16%)
Combination	15 (22%)	11 (17%)	13 (19%)	25 (35%)	30 (40%)	20 (22%)	17 (16%)
Debt	1 (1%)	1 (1%)	1 (2%)	— —	— —	1 (1%)	— —
	68	64	68	72	76	91	111
$100.1 Million-$999.9 Million							
Cash	34 (49%)	35 (46%)	48 (49%)	52 (57%)	47 (44%)	85 (62%)	129 (65%)
Stock	9 (13%)	19 (25%)	19 (19%)	17 (18%)	20 (19%)	17 (12%)	23 (11%)
Combination	25 (36%)	21 (28%)	31 (31%)	23 (25%)	40 (37%)	34 (25%)	48 (24%)
Debt	1 (2%)	1 (1%)	1 (1%)	— —	— —	2 (1%)	— —
	69	76	99	92	107	138	200
Over $999.9 Million							
Cash	2 (67%)	— —	5 (50%)	1 (17%)	1 (14%)	11 (61%)	20 (57%)
Stock	— —	2 (67%)	1 (10%)	— —	3 (43%)	1 (6%)	1 (3%)
Combination	1 (33%)	1 (33%)	4 (40%)	5 (83%)	3 (43%)	5 (27%)	14 (40%)
Debt	— —	— —	— —	— —	— —	1 (6%)	— —
	3	3	10	6	7	18	35

All totals based on those transactions providing both a purchase price and the method of payment.

Source: W. T. Grimm & Co.

Figure 11.

INDUSTRY HIGHLIGHTS

The W. T. Grimm & Co. Research Department classifies merger-acquisition announcements into 50 seller-based industry categories. More than half (1,617 or 54%) of the 3,001 net announcements in 1985 were concentrated in the top ten industry classifications. Among the top ten, six are service oriented, reflecting the increasing importance of services in the U.S. economy as well as the fact that these industries have a history of fragmentation. There were four manufacturing categories among the top ten, while oil and gas, a natural resources classification, tied for tenth position with Chemicals, Paints & Coatings. A ranking of the 50 W. T. Grimm & Co. industry categories by the number of transactions appears on page 50. A ranking by total dollar value paid is on page 51, followed by an industry breakdown of $100 million-plus transactions.

Banking & Finance

Banking & Finance, historically the most active seller-based industry of the 50, preserved its top ranking with an acquisition count of 381, up 52% from the 251 recorded in 1984. Note that the substantial increase in activity is due, in part, to the fact that 1984's count was the lowest in the last five years. Experiencing one of its bleakest years in modern history, much of the banking industry during 1984 concentrated its efforts on survival. Problem loans in the energy, real estate and agriculture areas coupled with the sobering effect of the Continental Illinois Bank crisis prompted banks to search for cash to increase their loan-loss reserves. With their stocks depressed, banks were in no condition to pursue acquisitions. Those that did were regional banks in the North and Southeast which had minimal foreign and domestic energy exposure and were serving strong local economies. In 1985, the banking industry as a whole improved as it was able to derive a higher percentage of its income from fees and securities trading.

The consolidation among regional banks which began in 1982 gathered full steam following a U.S. Supreme Court decision in June, 1985, which ruled that regional interstate banking laws enacted by states were constitutional. This unleashed a number of interstate bank mergers resulting not only in a higher level of acquisition activity, but also a 140% surge in the total dollar value paid for Banking and Finance transactions. The Banking & Finance total dollar value shot up from $5.8 billion (ranked fifth in 1984) to $14 billion (ranked fourth in 1985), the highest dollar aggregate in the last five years. Banking and finance transactions valued at $100 million or more rose from 12 in 1984 to the current 37, the highest ever annual count of sizable deals for any one industry. Among the 37 transactions, 14 were interstate bank acquisitions and seven were intrastate purchases. The remaining 16 included acquisitions of savings and loan institutions, mortgage bankers, and consumer and commercial finance companies.

Regional interstate banking originated in New England when, in 1982, Massachusetts passed a law permitting the purchase of a Massachusetts bank by a bank from another New England state with a similar law. Soon after, Connecticut and Rhode Island followed suit, resulting in a regional banking compact. As of the 1985 third quarter, 18 states had reciprocal regional banking laws. The nation's largest regional banking compact with seven states participating is in the Southeast where most of 1985's sizable interstate acquisitions have occurred. Among the 14 interstate bank deals valued at $100 million or more, 11 took place in the Southeast. In fact, the largest Banking & Finance transaction in U.S. history was the 1985 merger between Wachovia Corp., based in North Carolina, and First Atlanta Corp., based in Georgia. The $1.8 billion merger was one of the first interstate deals announced following the recent U.S. Supreme Court decision.

Regional interstate bank expansion is expected to continue as more states adopt reciprocal banking laws. Anticipating the eventual arrival of nationwide interstate banking, regional banks will continue to consolidate in order to compete with the money-center banks, which already have a national presence through loan-production offices, limited service banks, and massive credit-cardholder bases.

Other factors contributing to the overall increase in Banking & Finance activity included the ongoing consolidation of the mortgage business and the acquisition of ailing thrifts by money center and other commercial banks.

Wholesale & Distribution

Acquisition activity in second ranked Wholesale & Distribution rose 36% to 194 from 143 transactions in 1984. An orientation toward more service and professionalism among distributors has generated a higher rate of acquisitions over the last three years. Customers and suppliers are exerting pressure on distributors to become more sophisticated and efficient in their operations such as automation, more service, and larger inventories. To fulfill these demands distributors are merging with larger firms which can offer the necessary capital and professional management assistance, while the acquirers are motivated by a desire to expand into new geographic markets or different types of products. Acquisition activity in Wholesale & Distribution is detailed in Figure 12.

NET MERGER-ACQUISITION ANNOUNCEMENTS
WHOLESALE & DISTRIBUTION

	Number of Transactions				
Product Line of Distributor	**1981**	**1982**	**1983**	**1984**	**1985**
Industrial Products, Supplies & Equipment	19	19	12	17	43
Foods & Groceries	12	16	15	16	28
Medical & Health Care Products	13	18	24	24	25
Other Consumer Goods	7	6	5	8	18
Business Machines, Computers & Related Products	3	5	6	16	13
Electronic Components & Equipment	10	5	4	11	12
Automotive Products	6	4	4	12	12
Chemical Products	9	9	8	6	10
Construction & Building Products & Supplies	11	4	1	7	8
Office Supplies & Paper Products	7	7	5	5	8
Recreational Products	6	13	5	5	6
Agricultural Products & Equipment	1	3	2	3	4
Electrical Equipment & Products	3	7	3	4	3
Furniture, Home Furnishings & Appliances	5	2	7	5	2
Beverages & Tobacco	12	6	6	4	2
Totals	124	124	107	143	194

Source: W. T. Grimm & Co.

Figure 12.

Most of 1985's increase in distribution acquisitions were concentrated in three product lines: industrial products and supplies, foods and groceries, and other consumer goods. Purchases of industrial products distributors surged 153% to 43 transactions from 17 in 1984. A drastic decline in the customer base has brought about widespread consolidation among industrial products and equipment distributors. The continuing contraction of the smokestack, metals mining and oilfield services industries has generated less demand for industrial products. Consequently, distributors are combining operations to compete more effectively for fewer customers.

Acquisitions of food and grocery distributors almost doubled, increasing to 28 transactions from 16 in 1984. Contributing to the increase were more purchases of food distributors supplying restaurants, hospitals and other institutions. With consumers spending more of their food dollars outside the supermarket, the growing food service industry has prompted distributors to combine operations in order to control distribution costs, enhance productivity, increase clout with food processors, and broaden market areas.

Consolidation among manufacturers of consumer products has, in turn, touched off combinations among their distributors. Acquisitions of consumer good distributors rose 125% to 18 from eight in 1984.

The total dollar value of Wholesale & Distribution deals was $1.9 billion (ranked 21st) in 1985, compared with $1.65 billion (ranked 18th) in 1984. As in 1984, there were also four $100 million-plus transactions in 1985 including the second largest Wholesale & Distribution transaction in history. Wesray Capital Corp. acquired Western Auto Supply Co. from Beneficial Corp. for $300 million.

Miscellaneous Services

Reflecting the growing manufacturing-to-service shift of the U.S. economy, acquisition activity in third ranked Miscellaneous Services increased 32% to 182 transactions from 138 in 1984. The total dollar value paid hardly changed from last year, $2.3 billion in 1984 compared with $2.4 billion in 1985. Among the five $100 million-plus deals of 1985 was the third largest Miscellaneous Services transaction in history. RCA Corp. sold Hertz Corp. to UAL, Inc. for $587.5 million.

Computer Software, Supplies & Services

Acquisitions in the Computer Software, Supplies & Services industry numbered 150 (ranked fourth), up 27% from 118 in 1984. The expected industry shakeout has arrived. Slower growth in the software and services industry, an indication of maturing markets, is dividing the industry into two tiers. In order to survive, companies must either provide a variety of basic software products along with comprehensive support programs, or offer products for specific jobs in niche markets. Transactions with $100 million-plus price tags in the Computer Software, Supplies & Services industry increased from five in 1984 to seven in 1985. Despite the increase in sizable transactions, the total dollar value paid for computer software acquisitions in 1985 fell 43% to $2.1 billion (ranked 18th) from 1984's $3.8 billion (ranked sixth). The substantial dollar total in 1984 was largely due to General Motors Corp.'s $2.5 billion acquisition of Electronic Data Systems Corp. The largest deal in 1985 was the purchase of 52% of Telerate, Inc. by Dow Jones & Co. and Oklahoma Publishing Co.

Retail

Acquisition activity in fifth ranked Retail increased for the third consecutive year, rising 5% to 136 transactions in 1985 from 130 (ranked fourth) in 1984. Slower real sales growth for the industry as a whole has intensified competitive pressures among retailers, resulting in more companies adopting acquisition-related strategies. Retailers whose markets have matured are acquiring those retail concerns that continue to enjoy higher growth rates. At the same time, the decline in the rate of new construction of major shopping malls has forced expansion-minded retailers to obtain additional locations by purchasing other retail businesses.

NET MERGER-ACQUISITION ANNOUNCEMENTS
RETAIL

Type of Retailer Acquired	Number of Transactions				
	1981	1982	1983	1984	1985
Specialty Other	13	9	20	25	25
Department Stores	3	5	2	4	13
Specialty Apparel	17	23	13	18	11
Furniture, Home Furnishings & Appliances	5	10	4	15	10
Supermarkets	10	9	8	12	9
Hardware & Home Improvement	4	5	6	11	9
Automotive Parts & Supplies	4	3	4	8	9
Discount & Variety	8	3	15	7	9
Home Entertainment & Consumer Electronics	2	2	4	5	9
Drugstores	7	5	2	7	8
Convenience Stores	4	1	4	3	7
Direct Mail	4	5	2	3	7
Gas Stations & Other Fuels	3	2	2	11	6
Specialty Foods & Beverages	3	4	4	1	4
Totals	87	86	90	130	136

Source: W. T. Grimm & Co.

Figure 13.

As indicated in the preceding breakdown, retailers in the Specialty Other Classification continued to be the most popular acquisition targets. Basic businesses such as department stores and discount operators that have reached maturity have been focusing on new forms of retailing to continue growing. Four retail categories experienced substantial jumps in acquisition activity: Department Stores, Direct Mail, Convenience Stores, and Home Entertainment & Consumer Electronics.

Department store transactions surged 225% to 13 from only four in 1984. Most of the transactions in 1985 were divestitures. Because consumers have been gradually deserting department stores for specialty retailers over the last ten years, department stores are beginning to restructure their operations in order to compete more effectively. Department stores are selling off assets as they consolidate and centralize their operations. Those companies that did not redefine their strategies became takeover candidates. Consequently, some department store managements took their companies private to deter any takeover attempts. R. H. Macy & Co. went private through a $3.5 billion leveraged buyout, the largest retail acquisition in history. SCOA Industries, Inc., a department store group with interests in shoe stores, was taken private for $572.9 million.

Direct Mail transactions more than doubled to seven from three in 1984. Like the department store activity, much of the increase in direct mail was concentrated in divestitures. Following a decade of rapid growth, mail-order houses are undergoing an industry shakeout. Acquisitions of convenience stores also increased from three to seven transactions as larger convenience store operators acquired regional firms to increase their market share. Due to the fragmented nature of the consumer electronics retail industry and, therefore, the lack of major market players, electronics retailers aggressively expanded. Activity in home entertainment and consumer electronics retailing, one of the fastest growing segments of the industry, increased to nine transactions in 1985, almost double the five deals in 1984.

There were 15 retail transactions valued at $100 million or more in 1985, down from 20 in 1984. The 1985 total dollar value paid for all retail acquisitions, however, increased 50% to $10 billion (ranked seventh) from $6.7 billion (ranked fourth) in 1984. Among the 15 sizable retail deals of 1985 were the largest and third

largest acquisitions in retail history, contributing $4.7 billion or 47% to the $10 billion total value of all 1985 retail deals. R. H. Macy & Co. went private for $3.5 billion, while Jack Eckerd Corp. went private for $1.2 billion.

Industrial & Farm Equipment & Machinery

Sixth ranked Industrial & Farm Equipment & Machinery experienced a 16% increase in transactions, rising from 93 (ranked seventh) to 108. Transactions with $100 million-plus price tags increased from five to seven which advanced the 1985 total dollar value paid to $2.4 billion (ranked 17th) from $1.6 billion (ranked 19th) in 1984. The increase in activity was entirely due to a higher rate of divestitures. Beset with import competition and an overall decline in U.S. manufacturing, equipment manufacturers continue to confront stagnant sales and unused production capacity. Therefore, machinery producers' restructuring efforts are resulting in more asset sell-offs. Among 1985's seven sizable transactions, five were divestitures. The largest was Ogden Corp.'s sale of its industrial production operations to a group consisting of the division's management and an employee stock ownership plan for $375 million.

Drugs, Medical Supplies & Equipment

Acquisitions in seventh ranked Drugs, Medical Supplies & Equipment jumped 70% to 104 from 61 transactions (ranked 16th) in 1984. The total dollar value paid was an overwhelming $10.9 billion (ranked sixth), more than 15 times the $708.1 million (ranked 33rd) tabulated in 1984. Contributing to the surge was the increase in $100 million-plus transactions which rose from two to 11 deals. Among the 11 sizable transactions were the three largest acquisitions in the health care manufacturing industry: (1) the $3.7 billion acquisition of American Hospital Supply Corp. by Baxter Travenol Laboratories, Inc., (2) Monsanto Co.'s $2.7 billion purchase of G.D. Searle & Co.; and (3) the $1.6 billion acquisition of Richardson Vicks, Inc. by Procter & Gamble Co.

The higher level of acquisition activity together with the larger size of transactions reflects major structural changes within the health care environment. Government and private efforts to control medical costs have forced hospitals to cut expenses in response to declining occupancy rates. This, in turn, has caused plunging sales and profits among medical equipment and drug producers. As a result, health care manufacturing companies are combining their operations in order to offer more comprehensive products and services in what is becoming a large, centralized and more competitive health care industry.

Printing & Publishing

Merger-acquisition activity in Printing & Publishing increased 45%, rising from 67 deals (ranked 13th) to 97 (ranked eighth). With $100 million-plus transactions increasing from seven to ten, the 1985 total dollar value paid jumped 21% to $3.5 billion (ranked 13th) from $2.9 billion (ranked ninth) in 1984. Unsuccessful with their earlier diversification attempts, large media companies are refocusing on the business they know best, publishing. While some media companies have begun to launch new magazines, others have chosen the acquisition route and acquired existing publications with a market niche. With their increasing ability to attract advertising, magazine and newspaper publishers were the most popular acquisition targets. Furthermore, the high prices offered for print media properties attracted even more independent publishers to cash in on the buying frenzy. The ten sizable printing/publishing transactions included the largest and fourth largest publishing acquisitions in history. Gannett Co., Inc. acquired Evening News Association, publisher of the Detroit News, for $717.1 million. Southern Progress Corp., publisher of the nation's largest regional magazine, was acquired by Time, Inc. for $480 million. In addition to being the fourth largest deal in the Printing & Publishing industry's history, the Southern Progress purchase was also the largest acquisition of a magazine.

Broadcasting

Publishing was not the only segment of the media industry that experienced a higher rate of acquisitions. Broadcasting transactions numbered 93 (ranked ninth), up 12% from the 83 recorded in 1984. The Federal Communications Commission's passage of a more liberalized rule governing the ownership of television and radio stations has stimulated broadcasting purchases in the last two years. The 83 transactions counted in 1984, for instance, was 38% higher than 1983's 60 transactions. The new ruling allows

broadcasters to own as many as 12 stations (12TV, 12AM, 12FM) rather than the previous seven stations. Although the ruling did not go into effect until April 1, 1985, broadcasters were preparing for some type of change more than a year prior to the effective date. Broadcasting purchases in 1984 were small to middle sized transactions as newcomers to the industry and midsize broadcast groups moved quickly with their acquisition plans in order to get a head start on the larger broadcast companies which were already at the then limit of seven stations. Acquisitions in 1985, however, primarily consisted of large deals centered around stations serving major markets. And, of course, 1985 also witnessed the takeover of a major broadcasting network.

Capital Cities Communications, Inc. acquired American Broadcasting Cos. for $3.5 billion, the first ever acquisition of a network and the largest broadcasting transaction in history. The ABC sale was one of 22 deals valued at $100 million or more. In 1984 there were six $100 million-plus broadcasting transactions. Due to the huge jump in sizable acquisitions, the broadcasting dollar aggregate swelled to $15 billion (ranked third), almost eight times the $1.9 billion tabulated in 1984.

Deregulation in the cable television segment also contributed to the increase in broadcasting acquisitions. In October, 1984, Congress passed the Cable Communications Policy Act, which allows cable operators to raise their prices, beginning in 1987, to whatever the market will bear. At present, cable's subscription charges are set by local municipalities. Deregulation is expected to double the cable industry's cash flow over the next five years, making cable-TV companies attractive acquisition candidates. The second largest broadcasting transaction in history was 1985's $1.6 billion divestiture of Group W Cable by Westinghouse Electric Corp. to a group of five companies which included Time, Inc. and Tele-Communications, Inc.

Oil & Gas

Following five years of massive consolidation in the oil industry, acquisition activity in the tenth ranked Oil & Gas industry declined 16% to 86 transactions from the 102 (ranked sixth) recorded in 1984. Although the number of $100 million-plus transactions hardly changed (25 in 1985 versus 26 in 1984), the total dollar value dropped 46% to $23.2 billion from $43 billion. More than half of the $43 billion tabulated for 1984 was concentrated in two acquisitions, Chevron Corp.'s $13.2 billion purchase of Gulf Corp. and the $10.1 billion acquisition of Getty Oil by Texaco, the two largest transactions in U.S. oil industry and in U.S. corporate history. The largest oil/gas transaction in 1985 was U. S. Steel Corp.'s $4.1 billion purchase of Texas Oil & Gas Corp. With crude prices tumbling further, the oil business is expected to continue shrinking as companies cut costs, shut down refineries, and sell off assets. Among the 25 sizable oil transactions in 1985, 13 were divestments of oil and gas assets.

While the oil industry emerges from an unprecedented level of restructuring, the natural gas industry is just beginning to undergo major corporate combinations. A surplus of natural gas has caused prices to drop for the last four years, thereby squeezing profit margins for production and pipeline companies, and touching off consolidation in the natural gas industry. The second, third and fourth largest oil and gas transactions of 1985 were acquisitions of natural gas companies. Occidental Petroleum Corp. acquired MidCon Corp. for $3.1 billion. American Natural Resources Co. was purchased for $2.4 billion by Coastal Corp. InterNorth, Inc. acquired Houston Natural Gas Corp. for $2.3 billion.

Chemicals, Paints & Coatings

With a total of 86 transactions, Chemicals, Paints & Coatings tied Oil & Gas for the tenth position. Acquisitions of chemical companies increased 9% from 79 transactions (ranked 11th) in 1984. Dollars paid for chemical companies totalled $8.6 billion, more than three times 1984's $2.6 billion. Transactions valued at $100 million or more rose from five to eight. The largest in 1985 was the $1.2 billion acquisition of Stauffer Chemical Co. by Chesebrough-Ponds, Inc. Because commodity chemicals producers are plagued by excess plant capacity, slow-changing technology, and foreign competition, they are diversifying into the more profitable specialty chemical market and divesting bulk oriented product lines. Among the eight $100 million-plus transactions in 1985, six were divestitures.

Significant increases in merger-acquisition activity were also recorded for other industry classifications including Food Processing where transactions rose 41% to 82 (ranked 12th) from 58 (ranked 17th) in 1984. With the three largest food processing deals in history all occurring in 1985, the total dollar value surged 67% to $11.8 billion (ranked fifth) from 1984's $7.1 billion (ranked second). Philip Morris Cos. acquired General Foods Corp. for $5.6 billion; Beatrice Cos. was taken private by Kohlberg, Kravis, Roberts & Co. for $5.4 billion; R. J. Reynolds Industries, Inc. purchased Nabisco Brands, Inc. for $4.9 billion. The food industry's merger frenzy has been driven by the need to acquire proven, established brand name products in order to gain new markets. With product development costs increasing and supermarket shelf space at a premium, the advantages of size and financial strength are becoming major goals among food processors.

There were 72 transactions (ranked 14th) in the Leisure & Entertainment industry, up 76% from the 41 (ranked 22nd) recorded in 1984. The 1985 dollar aggregate of $5.6 billion (ranked 11th) more than doubled 1984's $2.6 billion (also ranked 11th) total. The most popular takeover targets in the Leisure & Entertainment industry were motion picture studios, whose assets in the form of film libraries and television syndication deals were the prime attraction. The two largest transactions in 1985 were (1) the $1.5 billion acquisition of MGM/UA Entertainment Co. by Turner Broadcasting System, Inc., also the largest transaction in the industry's history, and (2) the $487 million purchase of TCF Holdings, Inc., the holding company for Twentieth Century Fox, by Rupert Murdoch's News Corp. of Australia. Acquisition activity in the Electrical Equipment industry increased 34% to 67 transactions (ranked 15th) from 50 (ranked 19th) in 1984. Due to their solid balance sheets, consistent profitability, and immunity from foreign competition, electrical equipment manufacturers have become attractive acquisition candidates.

The beginnings of a major restructuring of the airline industry contributed to the 33% merger increase in the Transportation classification. Near-suicidal fare wars have weakened many air carriers and made them more vulnerable to takeovers. UAL, Inc.'s $750 million purchase of the Pacific Division from Pan Am Corp. was the largest transportation transaction in 1985. Activity increased 50% in the Aerospace, Aircraft & Defense industry, with the number of transactions rising to 33 (ranked 30th) from 22 (ranked 36th) in 1984. Large defense contractors were popular acquisition targets, thanks to their huge military backlogs and potential for more contracts as spending on President Reagan's Strategic Defense Initiative continues to grow. The $5 billion acquisition of Hughes Aircraft Co. by General Motors Co., the largest transaction in the industry's history, helped swell the 1985 aerospace dollar total to $7.4 billion (ranked ninth), more than nine times the $812.1 million (ranked 27th) tabulated in 1984. Also contributing to the increase in both the number of transactions and dollars paid was the consolidation of the small-plane segment of the aerospace and aircraft industry. With sales down and costs up, manufacturers of prop airplanes and small jets were more than willing to be acquired by financially stronger corporations. The second and third largest aerospace transactions in 1985 were also the third and fourth largest in the industry's history. Chrysler Corp. acquired Gulfstream Aerospace Corp. for $640.6 million and Cessna Aircraft Co. was acquired by General Dynamics Corp. for $576.8 million.

Both the Energy Services and the Construction, Mining & Oilfield Equipment & Machinery industry classifications continued to experience a decline in acquisitions. Activity in both industries has been falling since 1981. There were only 16 transactions (ranked 41) in Energy Services during 1985, an 85% drop from the 107 (ranked third) recorded in 1981. Construction/Mining/Oilfield Equipment had seven transactions (ranked 49th) in 1985, down 77% from 30 (ranked 28th) in 1981. The drastic change in the oil industry's fortunes over the last five years has transformed oilfield service and equipment companies from prime takeover targets to unacceptable acquisition candidates.

RANKING OF INDUSTRY CLASSIFICATIONS

NUMBER OF TRANSACTIONS

Industry Classification of Seller	Number of Transactions (Rank)					Five Year Cumulative
	1981	1982	1983	1984	1985	
Banking & Finance	335 (1)	426 (1)	331 (1)	251 (1)	381 (1)	1,724 (1)
Wholesale & Distribution	124 (2)	124 (3)	107 (5)	143 (2)	194 (2)	692 (2)
Miscellaneous Services	107 (3)	126 (2)	135 (2)	138 (3)	182 (3)	688 (3)
Computer Software, Supplies & Services	87 (8)	75 (3)	119 (3)	118 (5)	150 (4)	549 (4)
Retail	87 (7)	86 (5)	90 (7)	130 (4)	136 (5)	529 (5)
Industrial & Farm Equipment & Machinery	92 (5)	90 (4)	104 (6)	93 (7)	108 (6)	487 (6)
Drugs, Medical Supplies & Equipment	55 (14)	58 (10)	86 (8)	61 (16)	104 (7)	364 (9)
Printing & Publishing	54 (15)	48 (16)	56 (16)	67 (13)	97 (8)	322 (14)
Broadcasting	47 (19)	47 (17)	60 (14)	83 (10)	93 (9)	330 (13)
Oil & Gas	76 (9)	80 (7)	111 (4)	102 (6)	86 (10)	455 (7)
Chemicals, Paints & Coatings	62 (11)	55 (12)	55 (17)	79 (11)	86 (10)	337 (10)
Food Processing	69 (10)	52 (13)	74 (10)	58 (17)	82 (12)	335 (11)
Instruments & Photographic Equipment	62 (11)	51 (14)	53 (19)	71 (12)	74 (13)	311 (15)
Leisure & Entertainment	51 (16)	42 (19)	49 (21)	41 (22)	72 (14)	255 (19)
Insurance	89 (6)	81 (6)	67 (11)	66 (15)	67 (15)	370 (8)
Electrical Equipment	48 (18)	49 (15)	49 (21)	50 (19)	67 (15)	263 (18)
Electronics	60 (13)	63 (9)	81 (9)	67 (13)	64 (17)	335 (11)
Health Services	51 (16)	44 (18)	63 (12)	86 (8)	64 (17)	308 (16)
Office Equipment & Computer Hardware	27 (32)	26 (32)	59 (15)	55 (18)	61 (19)	228 (21)
Fabricated Metal Products	39 (23)	37 (23)	55 (17)	42 (21)	60 (20)	233 (20)
Brokerage, Investment & Management Consulting Services	46 (20)	56 (11)	63 (12)	86 (8)	49 (21)	300 (17)
Transportation	31 (25)	40 (22)	36 (26)	36 (25)	48 (22)	191 (24)
Real Estate	31 (25)	30 (29)	28 (30)	27 (31)	44 (23)	160 (28)
Primary Metal Processing	34 (24)	25 (33)	39 (25)	43 (20)	43 (24)	184 (26)
Construction Contractors & Engineering Services	41 (21)	34 (24)	42 (24)	29 (28)	41 (25)	187 (25)
Miscellaneous Manufacturing	30 (28)	41 (21)	51 (20)	37 (24)	38 (26)	197 (22)
Plastics & Rubber	18 (41)	27 (30)	44 (23)	39 (23)	36 (27)	164 (27)
Apparel	24 (36)	17 (37)	24 (34)	34 (26)	35 (28)	134 (33)
Communications	27 (32)	42 (19)	33 (27)	24 (34)	34 (29)	160 (28)
Aerospace, Aircraft & Defense	17 (42)	15 (41)	15 (42)	22 (36)	33 (30)	102 (40)
Building Products & Materials	28 (30)	27 (30)	26 (33)	29 (28)	29 (31)	139 (30)
Household Goods	27 (32)	22 (34)	30 (28)	30 (27)	28 (32)	137 (32)
Valves, Pumps & Hydraulics	31 (25)	10 (46)	20 (37)	23 (35)	28 (32)	112 (37)
Automotive Products & Accessories	19 (39)	22 (34)	10 (47)	26 (33)	28 (32)	105 (38)
Packaging & Containers	23 (37)	16 (40)	29 (29)	22 (36)	27 (35)	117 (34)
Toys & Recreational Products	28 (30)	33 (25)	23 (35)	28 (30)	26 (36)	138 (31)
Beverages	19 (39)	31 (27)	11 (45)	21 (38)	23 (37)	105 (38)
Electric, Gas, Water & Sanitary Services	10 (46)	12 (45)	27 (31)	13 (44)	22 (38)	84 (42)
Paper	11 (45)	15 (41)	11 (45)	16 (43)	20 (39)	73 (44)
Stone, Clay & Glass	25 (35)	17 (37)	27 (31)	27 (31)	19 (40)	115 (36)
Furniture	8 (47)	13 (44)	18 (39)	17 (42)	16 (41)	72 (45)
Mining & Minerals	40 (22)	31 (27)	18 (39)	12 (45)	16 (41)	117 (34)
Energy Services	107 (3)	32 (26)	21 (35)	19 (39)	16 (41)	195 (23)
Textiles	23 (37)	17 (37)	16 (41)	12 (45)	15 (44)	83 (43)
Conglomerate	7 (48)	14 (43)	13 (43)	18 (41)	14 (45)	66 (47)
Autos & Trucks	7 (48)	6 (49)	4 (50)	3 (50)	13 (46)	33 (50)
Agricultural Production	17 (42)	8 (48)	13 (43)	19 (39)	12 (47)	69 (46)
Toiletries & Cosmetics	1 (50)	9 (47)	10 (47)	11 (48)	9 (48)	40 (48)
Construction, Mining & Oil Field Equipment & Machinery	30 (28)	19 (36)	20 (37)	12 (45)	7 (49)	88 (41)
Timber & Forest Products	13 (44)	5 (50)	7 (49)	7 (49)	4 (50)	36 (49)
Totals	2,395	2,346	2,533	2,543	3,001	12,818

Source: W.T. Grimm & Co.

RANKING OF INDUSTRY CLASSIFICATIONS

DOLLAR VALUE PAID

(millions)

Industry Classification of Seller	Dollar Value (Rank) 1981	1982	1983	1984	1985
Oil & Gas	$22,921.6 (1)	$ 9,165.5 (1)	$12,075.8 (2)	$ 42,981.8 (1)	$ 23,160.1 (1)
Conglomerate	809.4 (18)	3,973.6 (4)	2,745.1 (7)	6,982.9 (3)	16,301.6 (2)
Broadcasting	1,060.1 (15)	787.2 (19)	3,747.1 (4)	1,917.9 (16)	15,012.9 (3)
Banking & Finance	4,204.4 (4)	5,605.3 (3)	13,628.3 (1)	5,846.3 (5)	14,036.9 (4)
Food Processing	3,800.0 (5)	3,075.2 (5)	1,163.6 (17)	7,094.8 (2)	11,837.8 (5)
Drugs, Medical Supplies & Equipment	707.5 (23)	1,915.1 (7)	904.1 (22)	708.1 (33)	10,867.3 (6)
Retail	1,844.4 (9)	1,948.1 (6)	1,489.0 (11)	6,673.2 (4)	10,029.7 (7)
Chemicals, Paints & Coatings	1,256.1 (14)	1,011.5 (14)	1,080.1 (19)	2,629.9 (10)	8,568.0 (8)
Aerospace, Aircraft & Defense	164.4 (39)	1,577.1 (9)	887.4 (24)	812.1 (27)	7,358.2 (9)
Electronics	1,497.0 (12)	552.9 (24)	471.9 (33)	290.1 (43)	6,899.2 (10)
Leisure & Entertainment	2,150.4 (8)	1,082.1 (11)	1,797.4 (9)	2,580.7 (11)	5,640.3 (11)
Electric, Gas, Water & Sanitary Services	11.6 (48)	751.1 (20)	511.1 (31)	737.1 (32)	5,592.9 (12)
Printing & Publishing	155.9 (41)	129.4 (43)	892.9 (23)	2,863.9 (9)	3,474.6 (13)
Transportation	475.3 (31)	1,074.4 (12)	5,254.6 (3)	1,251.8 (22)	2,876.9 (14)
Insurance	7,862.5 (3)	5,717.8 (2)	2,966.1 (5)	3,005.9 (8)	2,694.0 (15)
Miscellaneous Services	801.0 (19)	859.8 (17)	991.7 (21)	2,323.9 (13)	2,414.6 (16)
Industrial & Farm Equipment & Machinery	1,822.3 (10)	1,485.6 (10)	1,151.4 (18)	1,635.6 (19)	2,374.2 (17)
Computer Software, Supplies & Services	438.7 (32)	195.5 (39)	666.1 (26)	3,766.4 (6)	2,139.1 (18)
Apparel	156.8 (40)	230.8 (36)	138.1 (44)	1,392.2 (21)	2,086.3 (19)
Toiletries & Cosmetics	— (50)	203.2 (38)	115.3 (45)	516.4 (36)	2,043.8 (20)
Wholesale & Distribution	761.3 (20)	358.1 (29)	364.9 (35)	1,651.8 (18)	1,910.1 (21)
Stone, Clay & Glass	523.0 (28)	463.8 (26)	499.0 (32)	764.4 (30)	1,805.6 (22)
Electrical Equipment	375.7 (34)	603.7 (22)	513.1 (30)	1,978.4 (15)	1,785.1 (23)
Primary Metal Processing	482.8 (30)	167.4 (42)	1,340.6 (13)	1,073.8 (24)	1,575.9 (24)
Household Goods	637.9 (26)	390.6 (27)	1,300.0 (14)	802.7 (28)	1,295.8 (25)
Plastics & Rubber	232.6 (38)	48.5 (49)	148.7 (43)	462.4 (37)	1,181.2 (26)
Communications	660.7 (25)	929.6 (15)	563.2 (27)	123.1 (48)	1,147.4 (27)
Packaging & Containers	235.8 (37)	171.8 (41)	1,297.5 (15)	3,089.4 (7)	1,063.5 (28)
Real Estate	419.4 (33)	303.4 (31)	829.3 (25)	1,132.2 (23)	1,017.7 (29)
Beverages	748.6 (22)	1,880.9 (8)	1,548.4 (10)	853.9 (25)	1,017.3 (30)
Office Equipment & Computer Hardware	754.4 (21)	389.1 (28)	1,059.9 (20)	820.0 (26)	996.0 (31)
Automotive Products & Accessories	300.9 (36)	109.4 (44)	29.0 (49)	190.4 (45)	911.0 (32)
Health Services	1,553.4 (11)	1,049.4 (13)	1,999.4 (8)	1,687.9 (17)	880.9 (33)
Timber & Forest Products	685.4 (24)	499.8 (25)	13.8 (50)	2,297.2 (14)	850.6 (34)
Paper	923.8 (16)	595.4 (23)	269.7 (37)	387.0 (39)	830.8 (35)
Building Products & Materials	96.9 (46)	75.2 (46)	268.4 (38)	621.2 (34)	750.4 (36)
Textiles	83.9 (47)	792.2 (18)	1,212.7 (16)	91.0 (49)	720.0 (37)
Construction Contractors & Engineering Services	547.6 (27)	256.0 (34)	423.3 (34)	799.7 (29)	713.3 (38)
Fabricated Metal Products	821.2 (17)	299.3 (32)	154.7 (42)	180.4 (46)	581.3 (39)
Brokerage, Investment & Management Consulting Services	2,766.5 (7)	860.9 (16)	1,455.3 (12)	1,460.3 (20)	579.1 (40)
Furniture	5.9 (49)	39.8 (50)	249.4 (39)	169.5 (47)	483.1 (41)
Valves, Pumps & Hydraulics	486.7 (29)	65.9 (47)	281.6 (36)	556.0 (35)	481.6 (42)
Miscellaneous Manufacturing	151.2 (42)	271.4 (33)	91.8 (46)	336.4 (42)	369.9 (43)
Mining & Minerals	10,850.6 (2)	355.2 (30)	2,946.2 (6)	346.7 (41)	355.6 (44)
Toys & Recreational Products	130.5 (44)	203.4 (37)	37.3 (48)	762.3 (31)	329.6 (45)
Instruments & Photographic Equipment	1,384.6 (13)	80.1 (45)	513.8 (29)	196.8 (44)	308.1 (46)
Energy Services	3,303.5 (6)	665.2 (21)	66.4 (47)	2,546.2 (12)	275.5 (47)
Autos & Trucks	306.5 (35)	61.3 (48)	173.5 (41)	2.3 (50)	56.9 (48)
Agricultural Production	132.6 (43)	235.6 (35)	204.0 (40)	453.1 (38)	44.4 (49)
Construction, Mining & Oil Field Equipment & Machinery	114.3 (45)	190.9 (40)	548.5 (28)	376.2 (40)	41.4 (50)
Totals	$82,617.6	$53,754.5	$73,080.5	$122,223.7	$179,767.5

Source: W.T. Grimm & Co.

100 MILLION DOLLAR-PLUS TRANSACTIONS

INDUSTRY BREAKDOWN

Industry Classification of Seller	Number of Transactions 1981	1982	1983	1984	1985	Five Year Cumulative
Oil & Gas	16	12	19	26	25*	98
Conglomerate	2	8	5	12	8*	35
Broadcasting	4	2	6	6	22*	40
Banking & Finance	8	12	28	12	37*	97
Food Processing	4	7	5	6	5*	27
Drugs, Medical Supplies & Equipment	2	5	2	2	11*	22
Retail	4	5	3	20	15*	47
Chemicals, Paints & Coatings	2	2	2	5	8*	19
Aerospace, Aircraft & Defense	–	2	2	2	8*	14
Electronics	3	2	–	–	3*	8
Leisure & Entertainment	5	1	5	7	10*	28
Electric, Gas, Water & Sanitary Services	–	2	1	3	4*	10
Printing & Publishing	–	–	4	7	10*	21
Transportation	–	4	1	2	8*	15
Insurance	12	10	6	8	7*	43
Miscellaneous Services	2	3	2	2	5*	14
Industrial & Farm Equipment & Machinery	4	4	2	5	7*	22
Computer Software, Supplies & Services	–	–	1	5	7*	13
Apparel	–	1	–	4	3*	8
Toiletries & Cosmetics	–	1	–	3	2*	6
Wholesale & Distribution	1	–	1	4	4*	10
Stone, Clay & Glass	1	1	1	3	1*	7
Electrical Equipment	–	2	1	3	2*	8
Primary Metal Processing	1	–	2	4	5	12
Household Goods	2	1	2	2	5*	12
Plastics & Rubber	1	–	–	1	2*	4
Communications	2	1	1	–	4*	8
Packaging & Containers	1	–	3	3	2*	9
Real Estate	1	1	2	5	5*	14
Beverages	2	4	4	3	2*	15
Office Equipment & Computer Hardware	3	1	3	3	4*	14
Automotive Products & Accessories	1	–	–	1	2*	4
Health Services	4	5	4	5	1*	19
Timber & Forest Products	2	2	–	3	1*	8
Paper	1	2	1	1	4*	9
Building Products & Materials	–	–	1	1	3*	5
Textiles	–	3	5	–	2*	10
Construction Contractors & Engineering Services	1	1	1	2	2*	7
Fabricated Metal Products	2	1	–	1	3*	7
Brokerage, Investment & Management Consulting Services	4	3	2	4	2*	15
Furniture	–	–	–	–	2*	2
Valves, Pumps & Hydraulics	1	–	2	3	2*	8
Miscellaneous Manufacturing	–	1	–	1	1*	3
Mining & Minerals	10	1	3	1	1	16
Toys & Recreational Products	–	–	–	2	1*	3
Instruments & Photographic Equipment	1	–	1	–	–	2
Energy Services	2	1	–	5	1*	9
Autos & Trucks	1	–	1	–	–	2
Agricultural Production	–	1	1	1	1*	4
Construction, Mining & Oil Field Equipment & Machinery	–	1	2	1	–	4
Totals	113	116	138	200	270	837

*This industry witnessed one or more transactions in 1985 which were among the ten largest transactions in the industry's history.

The three largest transactions (restricted to $100 million-plus deals) in each industry's history are listed on pages 149 through 157.

Source: W.T. Grimm & Co.

FOREIGN BUYERS

Following three years of moderate activity, foreign acquirers resumed their earlier vigor in the U.S. acquisition market with 197 transactions, up 30% from 151 in 1984. The U.S. dollar's weakening in 1985 may have prompted more foreign buyers to initiate acquisition plans. On the other hand, the value of the dollar against foreign currencies may be becoming a minor factor for foreign managements considering acquisitions. Note that foreign acquisitions of U.S. companies began to gradually increase during 1984, when the U.S. dollar continued its upward march throughout that year, with foreign activity 21% higher than that of 1983. The dollar finally peaked in the first quarter of 1985 and is currently still 30–40% above its 1980 low. More foreign corporations are beginning to disregard currency exchange rates and placing a much higher emphasis on entering the U.S. market, which they consider essential to meeting their growth objectives. At the same time, technological advances in communications and transportation are helping to integrate the world's economies at a rapid pace, resulting in the globalization of markets. And as the world's tastes, wants and needs become more homogenized it is even more imperative that both foreign and U.S. corporations penetrate new geographic markets.

Improved business conditions in most west European nations and Canada have also played a role in stimulating foreign acquisitions of U.S. companies. Since 1981, foreign buyers have basically been reluctant to acquire U.S. businesses because of the economic environment in their own countries. The widespread and deep recession experienced by foreign economies forced foreign corporations to intensify all their efforts on preserving some level of earnings growth in their home businesses. Having rationalized their operations and tightened costs and expenses, foreign companies are pursuing U.S. acquisitions more actively than they have in the last three years. With earnings up substantially, foreign businesses are trying to guarantee their success for the longer term by reinvesting their profits in the U.S. By purchasing U.S. companies, foreign businesses are hoping to capitalize on this country's vast market and technological advances.

When monitoring foreign acquisitions of American firms, the W. T. Grimm & Co. Research Department includes both foreign purchases of domestic companies and purchases of foreign-based subsidiaries of U.S. corporations. Totals for the last seven years are provided below.

	Foreign Purchases of		
Year	U.S. Domestic Companies	Foreign-Based Units of U.S. Companies	Total Foreign Buyers
1979	202	34	236
1980	159	28	187
1981	185	49	234
1982	117	37	154
1983	101	24	125
1984	129	22	151
1985	143	54	197

Source: W. T. Grimm & Co.

Figure 14.

As the preceding figure indicates, more than half of 1985's increase in transactions was concentrated among foreign purchases of foreign-based units of U.S. companies. Given the recent prominence of restructuring and streamlining operations, managements of U.S. companies are not only divesting domestic units, but are also shedding foreign assets. The foreign subsidiaries sold by U.S. companies spanned a variety of industries. This is in contrast to 1981, the year with the second highest rate of foreign-based divestments, when the units sold were primarily in the natural resources industry. During that year the Canadian government instituted a policy of reducing foreign ownership of Canadian energy properties.

Canadian-owned energy companies were given certain advantages over foreign-owned concerns. One of the advantages was the subsidization of exploration and development costs. Because such policy actions depressed the value of U.S. energy holdings in Canada, American oil and gas companies sold some or all of their Canadian assets to Canadian concerns.

The total dollar value paid for U.S. companies by foreign entities in 1985 fell 28% to $10.9 billion (tabulated on 80 transactions) from $15.1 billion (based on 85 transactions) in 1984. Transactions valued at $100 million or more numbered 21, compared with 23 in 1984. In view of the fact that the two largest foreign buyer deals in 1984 accounted for $8.4 billion or 56% of the total $15.1 billion, the decline in the 1985 foreign buyer dollar aggregate becomes less significant. The two largest transactions in 1984 were Royal Dutch Shell's (Netherlands) tender offer for the remaining 30.5% of Shell Oil Co. for $5.5 billion, the largest foreign acquisition of a U.S. company in history, and Nestle's (Switzerland) acquisition of Carnation Co. for $2.9 billion, the third largest in history. The largest foreign buyer deal in 1985 was Chevron Corp.'s sale of its 60.2% interest in Gulf Canada Ltd. to Olympia & York Developments Ltd. (Canada) for $2.04 billion. The prevalence of sizable foreign purchases in the last two years reflects the growing importance of the U.S. market to large foreign corporations. Because their home markets are mature and therefore offer very little growth prospects, large foreign companies are implementing long-term strategies that will count upon U.S. markets to generate anywhere from 25% to 50% of all their revenues.

In these sizable transactions, the value of the dollar is secondary to the primary motive of long-term development and access to U.S. markets. Nevertheless, some of the larger foreign acquirers are shielded from currency fluctuations because they can finance acquisitions with dollars from their existing U.S. operations. Foreign buyers are also able to raise U.S. funds through equity offerings. Known as American Depository Receipts (ADRS), equity offerings by foreign companies have been increasing in the last few years.

Figure 15 provides annual dollar totals for foreign buyers since 1975, along with the number of transactions since 1972, the first year in which W.T. Grimm & Co. began monitoring foreign acquisitions of U.S. companies. The $18.8 billion tabulated in 1981 should be regarded as an aberration due to the substantial number of high-priced deals in the natural resources industry. The largest foreign buyer deal that year was the $4.3 billion acquisition of Texasgulf, Inc. by Societe Nationale Elf Aquitaine of France, the second largest foreign acquisition of a U.S. company in history. As indicated earlier, 1981 also witnessed numerous divestitures of Canadian oil and gas holdings by U.S. companies. The price paid values for these transactions averaged about $200 million. The largest such divestiture that year was the $539.5 million purchase of a 25% interest in Suncor, Inc., a Canadian subsidiary of Sun Co., by Ontario Energy Resources Ltd.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
1972 — 1985

Year	Total Transactions	Transactions Valued at $100MM or more	Transactions Valued at $1,000MM or more	Total Dollar Value Paid (billions of dollars)	Base*
1972	88	–	–	#	
1973	143	5	–	#	
1974	173	4	–	#	
1975	184	2	–	$ 1.6	84
1976	178	5	–	2.4	87
1977	162	3	–	3.1	92
1978	199	17	–	6.3	134
1979	236	11	–	5.8	142
1980	187	22	–	7.1	110
1981	234	24	4	18.8	126
1982	154	15	–	5.1	81
1983	125	10	1	5.9	59
1984	151	23	2	15.1	85
1985	197	21	3	10.9	80

Data not collected in that year.
* Base: Number of transactions disclosing purchase price.

Source: W.T. Grimm & Co.

Figure 15.

Historical Note

A number of factors stimulated the influx of foreign purchasers during the 1970s. Aside from the fact that foreign corporations are attracted to the relative political and economic stability of the United States, foreign managements also began to utilize acquisition strategies to invest in growth sectors, secure desired diversification, and expand into new markets, and what better market than the world's largest. More important were the effects of U.S. trade deficits which started to appear during the '70s. Anxious about tariff and quota barriers, foreign companies established investments in the U.S. that would provide an entry for their product lines rather than have to export them to this country.

The U.S. dollar's weakness in the 1970s was also a spur to foreign purchases of U.S. businesses. It not only made it less expensive for foreign companies to acquire U.S. concerns, but it also lessened their overall operating costs due to lower U.S. labor costs. From 1975 to 1980, relative labor costs in the U.S. declined, despite the rising U.S. inflation rate, because the dollar was falling. For instance, by 1980, the hourly wage rate in West Germany was 24% more than in the U.S. The U.S. labor cost advantage, however, was lost over the past few years because of the dollar's steady climb. In 1983, the average hourly wage rate in West Germany was 12% less than in the U.S. Both the strength of the U.S. dollar and the economic slowdown overseas deterred foreign buyers in the last few years. The number of foreign acquirers since 1981 decreased for two consecutive years, falling to only 125 foreign buyers in 1983, the lowest level since the 88 transactions recorded in 1972.

Figure 16 presents a distribution of foreign buyer transactions by the price paid value along with the average and the median purchase price. The price paid distribution and average/median values for all transactions are also provided for comparative purposes. The foreign buyers' average purchase price declined to $136 million from $178 million in 1984, and the median price also dropped to $35.3 million from

$49.6 million. Note, however, the sizable difference in the median purchase price between foreign acquisitions and all acquisitions, suggesting that foreign concerns make larger purchases. Because foreign acquirers aim at penetrating the U.S. market, they tend to buy larger companies with established market shares. A case in point is Hanson Trust PLC's (United Kingdom) $503.5 million acquisition of SCM Corp., the sixth largest foreign purchase of a U.S. company in 1985. The SCM acquisition demonstrates Hanson Trust's strategy of acquiring undervalued companies with a strong cash flow and market leadership. SCM, with over a billion dollars in revenues, manufactures such well known consumer products as Glidden Paints, Durkee Foods, and Smith-Corona Typewriters. In the ten years since it entered this country, Hanson has built up its U.S. operations, with revenues approaching $2 billion, almost entirely through acquisition. In 1984, Hanson acquired conglomerate U.S. Industries, Inc. for $468.9 million.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
PRICE PAID DISTRIBUTION
1979 — 1985

Price Paid Value	Number (Percent of Transactions Disclosing Price) 1979	1980	1981	1982	1983	1984	1985
$5 million or less	25 (18%)	14 (13%)	27 (21%)	14 (17%)	6 (10%)	6 (7%)	12 (15%)
$5.1- 25.0 million	63 (44%)	43 (39%)	44 (35%)	23 (28%)	20 (34%)	27 (32%)	25 (31%)
$25.1-99.9 million	43 (30%)	32 (30%)	31 (25%)	29 (36%)	23 (39%)	29 (34%)	22 (27%)
$100 million or more	11 (8%)	21 (18%)	24 (19%)	15 (19%)	10 (17%)	23 (27%)	21 (27%)
Base	142	110	126	81	59	85	80
Average Purchase Price (millions of dollars)	$41.3	$64.3	$149.0	$63.0	$100.5	$178.0	$136.0
Median Purchase Price (millions of dollars)	15.6	23.5	15.0	32.4	36.5	49.6	35.3

PRICE PAID DISTRIBUTION OF ALL ACQUISITIONS

$5 million or less	387 (36%)	306 (34%)	388 (35%)	296 (32%)	321 (30%)	270 (25%)	296 (23%)
$5.1-25.0 million	393 (38%)	324 (36%)	433 (38%)	338 (36%)	380 (35%)	361 (33%)	454 (34%)
$25.1-99.9 million	184 (18%)	166 (19%)	192 (17%)	180 (20%)	238 (22%)	253 (23%)	300 (23%)
$100 million or more	83 (8%)	94 (11%)	113 (10%)	116 (12%)	138 (13%)	200 (19%)	270 (20%)
Base	1,047	890	1,126	930	1,077	1,084	1,320
Average Purchase Price (millions of dollars)	$41.6	$49.8	$73.4	$57.8	$67.9	$112.8	$136.2
Median Purchase Price (millions of dollars)	8.5	9.3	9.0	10.5	16.5	20.1	21.1

Base: Number of transactions disclosing purchase price.

Source W.T. Grimm & Co.

Figure 16.

Both the average price earnings ratio paid by foreign buyers and the premium paid over the market price of U.S. companies are compared to the average P/E and premium paid for all transactions in Figure 17. As the averages demonstrate, foreign acquirers tend to pay higher premiums and P/Es, reflecting their aggressiveness toward entering the U.S. market.

AVERAGE PREMIUM PAID OVER MARKET
COMPARISON OF FOREIGN & ALL ACQUISITIONS
1976 — 1985

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Foreign/U.S. Acquisitions	41.6%	49.7%	50.5%	56.9%	55.1%	46.6%	42.1%	45.7%	40.2%	53.9%
(Base)	(17)	(38)	(47)	(49)	(32)	(27)	(19)	(12)	(21)	(14)
All Acquisitions	40.4	40.9	46.2	49.9	49.9	48.0	47.4	37.7	37.9	37.1
(Base)	(168)	(218)	(240)	(229)	(169)	(166)	(177)	(168)	(199)	(331)

AVERAGE PRICE/EARNINGS RATIO PAID
COMPARISON OF FOREIGN & ALL ACQUISITIONS
1976 — 1985

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Foreign/U.S. Acquisitions	12.7X	15.9X	14.0X	20.9X	13.6X	14.4X	15.7X	18.6X	17.8X	20.8X
(Base)	(19)	(37)	(45)	(55)	(44)	(33)	(23)	(16)	(25)	(12)
All Acquisitions	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7	17.2	18.0
(Base)	(200)	(292)	(349)	(333)	(243)	(230)	(193)	(189)	(246)	(427)

Base: Number of transactions providing necessary data with which to compute average.

Source: W.T. Grimm & Co.

Figure 17.

More than half of 1985's increase in foreign acquisitions of U.S. companies was concentrated in three industries: Chemicals, Paints & Coatings; Printing & Publishing; and Drugs, Medical Supplies & Equipment. Foreign acquisitions of U.S. chemical companies numbered 20, more than double the eight recorded in 1984. Like their American counterparts, European chemical manufacturers were forced to restructure their operations after having lost hundreds of millions a year during the recession years of 1980-82. With the restructuring completed, European concerns now have the cash to search for defensive acquisitions against the next downturn. Printing & Publishing transactions surged 333% to 13 from the previous year's three acquisitions. Due to their capacity to gain more advertising prospects, specialty publications with strong positions in fast growing markets were prime targets for foreign publishers keen on benefiting from the U.S. publishing industry's rise in revenues. There were 12 purchases of businesses in the Drugs, Medical Supplies & Equipment industry, three times more than the four transactions in 1984. With the U.S. health care manufacturing industry undergoing major consolidations, asset self-offs became primary acquisition opportunities for foreign corporations planning to expand their American operations.

Having avoided the then depressed banking industry during 1984, foreign buyers returned in 1985 with nine Banking & Finance acquisitions. There was only one banking transaction in 1984. Because foreign banks are often constrained from expanding in their own countries by their size and competitive position, they instead establish major investments in this country. By acquiring U.S. banks, foreign banks are also able to follow their corporate customers, many of which have already expanded into the U.S. market.

The number of foreign buyers in each of the 50 W.T. Grimm & Co. industry classifications appears on page 59, followed by a dollar breakdown on page 60.

A breakdown by country of 1985's foreign purchasers begins on page 61. Totals for the previous nine years are also provided. A country breakdown by dollars for the last six years appears on page 62.

Common language and similar business cultures explain the predominance of British and Canadian acquirers. From 1976 to 1981, British buyers surged 150% to 80 from 32, and surpassed Canada as the top buyer in 1978. During this six-year period, the stagnant British economy offered little market growth for U.K. companies, while the U.S. economy, for all its difficulties, remained the most dynamic among Western nations. This was exacerbated by the British government's anti-merger stance which prompted U.K. businesses to seek U.S. acquisitions. However, with the Thatcher government having gradually relaxed its views on mergers among British companies and the improved financial condition of many U.K. concerns, 1985 merger activity in the United Kingdom surged to levels not seen since 1971-72. Badly shaken by the severe recession of 1981-83, U.K. companies moved quickly to decrease costs, reduce their debt level, and increase productivity. When the British economy rebounded, profits rose. And the combination of low debt and high stock prices enabled British corporations to acquire other businesses both on their home turf and those overseas. U.K. acquisitions of American companies in 1985 increased 62% to 78 transactions from 48 in 1984.

Canadian buyers initiated an annual average of 53 acquisitions from 1976 through 1981, but withdrew from the U.S. merger scene during the next four years, with acquisitions plunging 55% to only 28 in 1983 from 62 in 1981. Like their American counterparts, Canadian acquirers were also motivated by soaring inflation which enhanced replacement costs, thereby making it cheaper to buy than to build. However, Canadian buyers had an added incentive, overgenerous bank lending. Preferring the potentially larger profits from loans to big corporate customers, Canadian banks were eager to enter the takeover financing business. Many of the loans were extended to purchasers of American real estate, while the majority of corporate takeover loans financed acquisitions of companies in natural resources. The unexpected drop in oil and metal prices and the collapse of the U.S. real estate market abruptly resulted in numerous acquisitions which undoubtedly did not satisfy the prospective investment goals of the acquirers. Moreover, when interest rates reached double-digit levels, the corporate borrowers found themselves with little or no cash to service their enormous debt. At the same time, lenders, fearing defualt, had no choice but to restructure the debt. Of late, the Canadian economy is experiencing faster growth rates, resulting in higher profit levels for Canadian companies. Consequently, Canada is also beginning to witness a higher level of acquisition activity consisting of both Canadian and foreign buyers acquiring Canadian companies. (See page 70 of Foreign Sellers chapter.)

Improved business and economic conditions in the Netherlands, West Germany and Australia enabled corporations in those countries to aggressively expand overseas. Acquisitions of U.S. businesses by Dutch concerns in 1985 increased to 17 from five transactions in 1984; West German purchases rose to 12 from four; and Australian acquisitions doubled from five to ten transactions in 1985.

Following only three transactions in 1983, Swedish companies acquired eight U.S. businesses in 1984 and seven in 1985. With Swedish exports booming, profit margins of Swedish companies have increased, resulting in more liquid balance sheets. Rather than utilize the excess cash flow for capital investment, since there is still excess capacity at home, Swedish businesses have instead acquired non-domestic companies.

South African entities, which rarely pursue U.S. acquisitions, initiated five transactions in 1985. All five were acquisitions of South African units of American corporations. In the face of escalating strife and violence, the deteriorating state economy, and unrelenting pressure from the U.S. anti-apartheid movement, American companies were forced to reduce their exposure in South Africa.

The 80 foreign buyer transactions disclosing a purchase price during 1985 are listed in descending order by the price paid value beginning on page 63.

INDUSTRIES ATTRACTING FOREIGN BUYERS
1981 — 1985

Seller Industry Category	Number of Transactions					Five Year Cumulative
	1981	1982	1983	1984	1985	
Chemicals, Paints & Coatings	11	9	10	8	20	58
Printing & Publishing	12	5	7	3	13	40
Drugs, Medical Supplies & Equipment	6	4	2	4	12	28
Miscellaneous Services	6	7	8	5	11	37
Wholesale & Distribution	12	9	4	7	10	42
Retail	8	5	5	12	9	39
Banking & Finance	13	10	7	1	9	40
Food Processing	9	4	9	8	8	38
Oil & Gas	16	7	9	16	8	56
Industrial & Farm Machinery & Equipment	19	7	6	3	7	42
Electrical Equipment	5	3	2	2	6	18
Instruments & Photographic Equipment	7	4	1	4	6	22
Insurance	8	8	5	6	6	33
Stone, Clay & Glass	4	2	1	5	5	17
Office Equipment & Computer Hardware	3	3	2	4	5	17
Computer Software, Supplies & Services	1	1	2	3	5	12
Packaging & Containers	5	2	4	2	4	17
Electronics	2	4	5	3	4	18
Brokerage, Investment & Management Consulting Services	3	4	6	6	4	23
Paper	2	–	1	4	3	10
Plastics & Rubber	3	4	1	3	3	14
Primary Metal Processing	6	3	–	5	3	17
Construction Contractors & Engineering Services	4	3	2	1	3	13
Leisure & Entertainment	6	2	2	1	3	14
Agricultural Production	4	1	–	2	2	9
Beverages	2	7	2	–	2	13
Building Products & Materials	4	–	2	2	2	10
Toiletries & Cosmetics	–	1	–	–	2	3
Fabricated Metal Products	4	–	4	1	2	11
Autos & Trucks	3	–	–	1	2	6
Automotive Products & Accessories	6	4	2	1	2	15
Aerospace, Aircraft & Defense	2	2	2	1	2	9
Miscellaneous Manufacturing	6	–	3	2	2	13
Mining & Minerals	6	5	2	2	2	17
Timber & Forest Products	3	1	–	–	1	5
Household Goods	3	3	1	3	1	11
Construction, Mining & Oil Field Machinery & Equipment	4	1	1	2	1	9
Toys & Recreational Products	2	–	–	1	1	4
Transportation	4	3	–	4	1	12
Broadcasting	–	–	–	–	1	1
Electric, Gas, Water & Sanitary Services	1	2	–	–	1	4
Energy Services	2	–	2	2	1	7
Health Services	–	4	2	2	1	9
Conglomerate	–	2	–	2	1	5
Apparel	1	2	–	2	–	5
Textiles	2	1	1	1	–	5
Furniture	–	1	–	2	–	3
Valves, Pumps & Hydraulics	1	1	–	–	–	2
Communications	1	3	–	2	–	6
Real Estate	2	–	–	–	–	2
Totals	234	154	125	151	197	861

Source: W.T. Grimm & Co.

FOREIGN BUYERS
INDUSTRY DOLLAR TOTAL
1981 — 1985

Seller Industry Category	Total Dollar Value (Base*) 1981	1982	1983	1984	1985
Oil & Gas	$ 6,548.5 (12)	$ 835.4 (6)	$ 281.7 (6)	$ 6,720.9 (13)	$ 4,176.9 (6)
Chemicals, Paints & Coatings	104.6 (5)	267.0 (4)	172.0 (3)	1,045.5 (6)	1,520.3 (9)
Retail	197.8 (6)	434.2 (5)	20.1 (1)	592.0 (6)	883.4 (6)
Insurance	349.8 (5)	373.1 (4)	146.7 (5)	417.8 (5)	768.8 (3)
Drugs, Medical Supplies & Equipment	114.8 (4)	103.7 (3)	22.7 (2)	50.0 (1)	617.0 (5)
Leisure & Entertainment	626.9 (6)	34.8 (2)	7.3 (1)	–	510.0 (3)
Conglomerate	–	72.1 (2)	–	468.9 (1)	503.5 (1)
Banking & Finance	278.6 (8)	217.6 (4)	1,389.6 (7)	263.9 (1)	421.7 (4)
Stone, Clay & Glass	346.2 (4)	82.9 (2)	150.0 (1)	212.5 (3)	341.5 (4)
Food Processing	134.8 (3)	131.0 (3)	253.0 (3)	2,933.4 (3)	256.5 (4)
Printing & Publishing	61.0 (1)	16.9 (2)	209.0 (4)	350.0 (1)	196.0 (3)
Paper	880.0 (1)	–	–	83.0 (1)	150.0 (1)
Industrial & Farm Machinery & Equipment	148.9 (9)	334.4 (4)	8.3 (1)	107.4 (1)	116.0 (2)
Electronics	70.0 (1)	–	20.0 (1)	37.0 (1)	71.0 (1)
Wholesale & Distribution	139.6 (6)	7.7 (2)	11.4 (1)	485.0 (6)	63.7 (6)
Electric, Gas, Water & Sanitary Services	–	3.0 (1)	–	–	48.3 (1)
Office Equipment & Computer Hardware	10.0 (1)	228.7 (3)	–	76.8 (3)	42.0 (1)
Instruments & Photographic Equipment	16.0 (3)	6.0 (1)	–	13.1 (2)	40.3 (2)
Miscellaneous Services	24.4 (3)	151.4 (4)	115.4 (5)	85.2 (5)	39.2 (7)
Plastics & Rubber	28.0 (2)	22.0 (2)	–	71.0 (1)	30.8 (2)
Brokerage, Investment & Management Consulting Services	0.3 (1)	210.5 (3)	77.8 (3)	122.3 (3)	27.1 (1)
Electrical Equipment	27.5 (2)	57.5 (2)	15.9 (2)	–	23.0 (3)
Packaging & Containers	59.9 (2)	80.0 (1)	130.0 (1)	171.0 (1)	19.1 (2)
Construction, Mining & Oil Field Machinery & Equipment	11.5 (2)	–	32.1 (1)	23.7 (2)	10.0 (1)
Primary Metal Processing	212.5 (5)	–	–	281.0 (2)	4.8 (1)
Miscellaneous Manufacturing	22.0 (3)	–	1.2 (1)	–	3.0 (1)
Agricultural Production	43.9 (2)	–	–	43.0 (1)	–
Beverages	1.4 (1)	261.3 (5)	200.0 (1)	–	–
Apparel	10.4 (1)	4.5 (1)	–	10.2 (1)	–
Textiles	–	106.5 (1)	–	8.0 (1)	–
Timber & Forest Products	395.8 (1)	242.0 (1)	–	–	–
Furniture	–	–	–	56.0 (1)	–
Building Products & Materials	66.8 (3)	–	–	–	–
Household Goods	2.8 (1)	–	–	62.6 (2)	–
Toiletries & Cosmetics	–	100.0 (1)	–	–	–
Fabricated Metal Products	57.2 (2)	–	29.9 (1)	–	–
Valves, Pumps & Hydraulics	–	4.0 (1)	–	–	–
Autos & Trucks	300.0 (2)	–	–	–	–
Automotive Products & Accessories	45.0 (1)	52.0 (1)	–	9.0 (1)	–
Aerospace, Aircraft & Defense	10.6 (1)	79.9 (1)	3.0 (1)	6.4 (1)	–
Toys & Recreational Products	8.0 (1)	–	–	70.0 (1)	–
Mining & Minerals	4,753.2 (5)	46.3 (2)	2,494.8 (2)	97.0 (2)	–
Transportation	106.7 (4)	200.0 (1)	–	19.0 (2)	–
Communications	–	62.0 (3)	–	–	–
Broadcasting	–	–	–	–	–
Real Estate	38.8 (1)	–	–	–	–
Computer Software, Supplies & Services	–	–	43.6 (2)	5.3 (1)	–
Construction Contractors & Engineering Services	37.4 (3)	–	–	–	–
Energy Services	2,486.6 (2)	–	27.8 (2)	10.0 (1)	–
Health Services	–	277.5 (3)	64.2 (1)	123.9 (2)	–
Totals	$18,778.2 (126)	$5,105.9 (81)	$5,927.5 (59)	$15,131.8 (85)	$10,883.9 (80)

*Base. The number of transactions disclosing a purchase price.

Source: W.T. Grimm & Co.

FOREIGN BUYERS
NUMBER OF TRANSACTIONS BY COUNTRY
1976 — 1985

Country of Buyers	Number of Acquisitions										Ten Year Cumulative
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	
United Kingdom	32	39	62	60	50	80	54	41	48	78	544
Canada	56	45	49	50	57	62	36	28	36	25	444
Netherlands	6	8	4	11	6	8	5	7	5	17	77
West Germany	9	18	27	37	14	14	6	2	4	12	143
Australia	3	4	2	5	2	7	2	6	5	10	46
Switzerland	5	3	11	16	7	6	7	7	7	10	79
Japan	10	4	9	11	9	9	4	6	6	9	77
Sweden	6	1	2	4	8	7	4	3	8	7	50
South Africa	–	1	–	–	–	2	–	–	–	5	8
Finland	–	–	–	2	1	–	–	5	2	4	14
France	11	7	6	18	20	14	12	7	7	4	106
Italy	–	5	3	1	1	4	1	5	1	4	25
Denmark	1	2	2	–	–	–	–	–	1	2	8
Norway	–	–	–	–	1	–	–	1	5	2	9
Argentina	–	1	–	2	1	1	–	–	–	1	6
Belgium	4	10	4	2	–	–	–	–	3	1	24
Bermuda	1	1	1	–	–	–	–	1	–	1	5
Hong Kong	1	–	1	2	2	2	4	–	1	1	14
Ireland	–	–	–	–	–	1	1	1	1	1	5
Israel	2	–	–	1	–	2	–	1	1	1	8
Philippines	1	2	–	2	–	1	1	–	–	1	8
Singapore	–	–	–	–	–	–	2	–	–	1	3
Austria	–	1	–	–	–	–	–	–	–	–	1
Bahamas	–	–	1	–	1	–	–	–	1	–	3
Bahrain	–	–	–	–	–	–	–	–	1	–	1
Brazil	3	3	–	4	–	1	1	–	–	–	12
Colombia	–	1	–	–	1	–	1	–	1	–	4
Ecuador	2	–	–	–	–	–	–	–	–	–	2
Greece	–	–	–	–	–	1	–	–	1	–	2
India	1	–	–	–	–	–	–	–	–	–	1
Iran	1	–	–	–	–	–	–	–	–	–	1
Jamaica	1	1	–	1	–	–	–	–	–	–	3
Kuwait	1	–	1	–	1	1	1	1	2	–	8
Libya	–	–	–	–	–	–	1	–	–	–	1
Luxembourg	–	–	1	1	–	–	–	–	–	–	2
Malaysia	–	–	–	–	–	1	–	–	1	–	2
Mexico	–	2	3	1	1	2	3	–	–	–	12
New Zealand	–	–	–	–	–	–	1	1	1	–	3
Nigeria	1	–	–	–	–	–	–	–	–	–	1
Pakistan	1	–	–	–	–	–	–	–	–	–	1
Panama	1	–	1	–	–	–	1	–	–	–	3
Puerto Rico	–	–	–	–	–	1	–	1	–	–	2
Saudi Arabia	2	–	3	1	–	3	–	–	–	–	9
South Korea	–	1	2	–	–	–	1	–	–	–	4
Spain	–	–	–	2	2	1	2	–	1	–	8
Taiwan	1	–	–	–	–	1	–	–	–	–	2
Thailand	2	–	1	–	–	–	1	–	–	–	4
Trinidad	–	–	–	–	–	–	–	–	1	–	1
Venezuela	5	1	–	1	–	–	–	1	–	–	8
Undisclosed	8	1	3	1	2	2	2	–	–	–	19
Total Foreign Buyers	178	162	199	236	187	234	154	125	151	197	1,823

Source: W.T. Grimm & Co.

FOREIGN BUYERS
DOLLAR TOTAL BY COUNTRY
1980 — 1985

Country of Buyer	Total Dollar Value (Base*) 1980	1981	1982	1983	1984	1985
United Kingdom	$2,618.6 (40)	$ 1,458.5 (51)	$1,780.3 (33)	$1,024.5 (22)	$ 2,754.1 (31)	$ 3,401.3 (40)
Canada	2,356.8 (31)	8,193.1 (34)	1,299.2 (19)	1,309.9 (16)	1,266.6 (19)	2,143.0 (6)
Netherlands	197.9 (4)	230.3 (3)	90.1 (3)	48.8 (3)	5,605.4 (2)	1,871.3 (8)
Australia	34.3 (2)	615.3 (3)	–	2,468.4 (3)	626.3 (4)	1,266.7 (5)
West Germany	240.8 (5)	400.6 (6)	9.3 (2)	44.0 (1)	214.5 (2)	1,243.0 (4)
Switzerland	254.7 (3)	113.3 (3)	557.9 (3)	107.7 (3)	2,904.6 (3)	221.9 (2)
Bermuda	–	–	–	39.7 (1)	–	215.0 (1)
Ireland	–	–	–	95.0 (1)	–	150.0 (1)
France	519.2 (9)	4,804.5 (7)	224.5 (3)	15.0 (1)	236.8 (4)	135.7 (3)
Finland	4.7 (1)	–	–	–	3.7 (1)	108.3 (2)
Singapore	–	–	–	–	–	50.0 (1)
Japan	311.5 (6)	122.2 (7)	237.0 (2)	688.7 (4)	430.4 (3)	34.2 (3)
Sweden	17.4 (2)	138.9 (3)	118.8 (3)	8.3 (1)	137.6 (4)	22.0 (2)
Italy	–	103.1 (2)	4.5 (1)	56.1 (1)	–	20.2 (1)
Denmark	–	–	–	–	113.0 (1)	1.3 (1)
Argentina	–	11.2 (1)	–	–	–	–
Belgium	–	–	–	–	46.0 (2)	–
Hong Kong	21.8 (2)	–	160.6 (3)	–	–	–
Israel	–	50.0 (1)	–	10.0 (1)	8.0 (1)	–
Norway	260.0 (1)	–	–	–	45.0 (1)	–
Philippines	–	14.7 (1)	–	–	–	–
Bahamas	–	–	–	–	24.8 (1)	–
Bahrain	–	–	–	–	70.0 (1)	–
Brazil	–	–	5.6 (1)	–	–	–
Colombia	–	–	50.0 (1)	–	–	–
Greece	–	–	–	–	23.0 (1)	–
Kuwait	40.0 (1)	2,486.1 (1)	150.0 (1)	–	340.0 (1)	–
Malaysia	–	–	–	–	71.0 (1)	–
Mexico	–	–	11.8 (1)	–	–	–
New Zealand	–	–	242.0 (1)	–	36.0 (1)	–
Puerto Rico	–	–	–	11.4 (1)	–	–
Saudi Arabia	–	12.4 (2)	–	–	–	–
South Korea	–	–	60.0 (1)	–	–	–
Spain	5.5 (1)	–	64.3 (2)	–	–	–
Trinidad	–	–	–	–	175.0 (1)	–
Undisclosed	204.1 (2)	24.0 (1)	40.0 (1)	–	–	–
Totals	$7,087.3 (110)	$18,778.2 (126)	$5,105.9 (81)	$5,927.5 (59)	$15,131.8 (85)	$10,883.9 (80)

*Base: The number of transactions disclosing a purchase price.

Source: W.T. Grimm & Co.

FOREIGN ACQUISITIONS OF U.S. COMPANIES
1985

	Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
1.	**Olympia & York Developments Ltd. — Canada** [real estate development]	**Chevron Corp.** (its 60.2% interest in Gulf Canada Ltd.) [oil/gas]	$2,042.3
2.	**Royal Dutch/Shell Group — Netherlands** [oil/gas expl'n. & prod'n.]	**Occidental Petroleum Corp.** (Colombia-Cities Service Petroleum Corp.) [owns 50% of Occidental's oil interests & discoveries in Colombia]	1,035.0
3.	**BASF- AG — W. Germany** [chemicals, plastics, consumer prdts.]	**United Technologies Corp.** (Inmont Corp.) [inks & auto finishes]	1,000.0
4.	**Broken Hill Proprietary Co. — Australia** [mining & minerals]	**Monsanto Co.** (Monsanto Oil Co.) [oil/gas prod'n & expl'n.]	745.0
*5.	**Sedgwick PLC — United Kingdom** [insurance broker]	**Transamerica Corp.** (Fred S. James & Co.) [insurance broker]	660.0
*6.	**Hanson Trust PLC — United Kingdom** [constr./ind'l./agric. eqpt., consumer prdts. & svs.]	**SCM Corp. — remaining 67.9%** [chemicals/coatings, food prdts., typewriters]	503.5
7.	**News Corp. — Australia** [owned by publisher, Rupert Murdoch]	**TCF Holdings, Inc.** [parent of Twentieth Century Fox Film Corp., motion picture producer]	487.0
8.	**Atlantic Petroleum Co. — Netherlands** [newly formed by John Duess, Dutch oil trader & businessman]	**Atlantic Richfield Co.** (Philadelphia refinery & 576 service stations in PA & NY)	420.0
9.	**Beecham Group PLC — United Kingdom** [pharmaceuticals & consumer prdts.]	**Pantry Pride, Inc.** (NorCliff Thayer and Reheis units of Revlon) ["Tums" antacid prdts.; specialty chemicals]	395.0
*10.	**Grand Metropolitan PLC — United Kingdom** [cigarettes, pet foods, recreational prdts., hotels]	**Pearle Health Services, Inc.** [U.S. largest retailer of glasses & contact lenses]	391.9
*11.	**Standard Chartered Bank PLC — United Kingdom** [bank]	**United Bancorp of Arizona** [bank holding]	329.7
12.	**Minerals & Resources Corp. Ltd. — Bermuda** [natural resources]	**Inspiration Resources Corp.** (its 80% interest in Danville Resources Inc.) [oil/gas]	215.0
13.	**Sandoz Ltd. — Switzerland** [pharmaceuticals, agrichemicals, seeds]	**Martin Marietta Corp.** (Master Builders) [specialty chemical prdts.]	190.0
14.	**Jefferson Smurfit Group Ltd. — Ireland** [boxes, paperboard, printing]	**Times Mirror Co.** (80% of Publishers Paper Co.) [mfrs. newsprint]	150.0
15.	**Blue Circle Industries PLC — United Kingdom** [cement & related prdts.]	**Newmont Mining Corp.** (Atlantic Cement Co.) [cement]	145.0
16.	**BASF-AG — W. Germany** [chemicals & plastics]	**Celanese Corp.** (structural composites operations)	135.0

* Acquisitions appear with more details in the Transaction Roster beginning on page 162.

Source: W.T. Grimm & Co.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
17. **Unilever N.V. — Netherlands** [food & consumer prdts.]	**Anderson, Clayton & Co.** (Anderson Clayton S.A. — Brazil and Anderson Clayton S.A.-Mexico) [foods]	$ 112.5
18. **Kloeckner-Humboldt-Deutz AG — W. Germany** [engine turbines, tractors, other agric. mchy.]	**Allis-Chalmers Corp.** (agricultural eqpt. business and a credit co.)	107.0
19. **Nationale-Nederlanden N.V. — Netherlands** [insurance holding]	**National Distillers & Chemical Corp.** (Indiana Insurance Co.)	105.0
20. **Kemira Oy — Finland** [chemicals]	**American Cyanamid Co.** (titanium-dioxide pigment business) [chemicals]	100.0
21. **Det Norske Oljeselskap A/S — Netherlands**	**Phillips Petroleum Co.** (GAO North Sea Ltd. and GAO North Sea Exploration Ltd. — Netherlands) [oil/gas]	100.0
22. **Reed International PLC — United Kingdom** [paper/packaging, publishing, printing]	**Xerox Corp.** (R.R. Bowker & Co.) [publishes reference materials for libraries]	90.0
23. **Blue Circle Industries PLC — United Kingdom** [cement]	**Williams Brothers, Inc.** [ready-mix concrete; retails building materials]	90.0
24. **Rio Tinto-Zinc Corp. PLC — United Kingdom** [mining & minerals]	**ITT Corp.** (Pennsylvania Glass Sand Corp.) [glass sand]	80.0
25. **Akzo N.V. — Netherlands** [textiles, chemicals, pharmaceuticals, toiletries]	**Warner-Lambert Co.** (diagnostics business) [diagnostic reagents]	80.0
26. **Thomson S.A. — France** [electronics]	**United Technologies Corp.** (Mostek Corp.) [semiconductors]	71.0
27. **United Biscuits (Holdings) PLC — United Kingdom** [food prdts.]	**Early California Industries, Inc.** (olive operations in U.S. & Spain)	70.0
28. **International Thomson Organisation Ltd. — United Kingdom** [publishing]	**Gale Research Co.** [publishes reference works]	66.0
29. **Pilkington Bros. PLC — United Kingdom** [glass & related prdts.]	**Syntex Corp.** (Syntex Ophthalmics, Inc.) [contact lenses]	60.0
30. **Tate & Lyle PLC — United Kingdom** [food processor]	**Hunt International Resources Corp.** (6 beet sugar refining plants of Great Western Sugar Co.)	59.0
*31. **Smith & Nephew Associated Cos. PLC — United Kingdom** [medical & health care prdts.]	**Affiliated Hospital Products, Inc.** [disposable medical prdts.]	55.7
*32. **Private Group — Singapore** [led by a Singapore lawyer]	**Deak & Co.** (Foreign Commerce Bank — Switzerland) [banking]	50.0
33. **Hydro-Quebec — Canada** [government-owned electric utility]	**Aluminum Co. of America** (Cedar Rapids Transmission Co. Ltd. — Canada) [utility]	48.3

* Acquisitions appear with more details in the Transaction Roster beginning on page 162.

Source: W.T. Grimm & Co.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
34. **Rhone-Poulenc S.A. — France** [specialty chemicals, drugs]	**Brown Disc Manufacturing** [mfrs. flexible discs]	$ 42.0
35. **Metal Box PLC — United Kingdom** [packaging, containers, closures]	**Clarke Checks, Inc.** [bank check printing]	40.0
36. **Carless, Capel & Leonard PLC — United Kingdom**	**LTV Corp.** (RSC energy division) [oil/gas prod'n.]	39.6
37. **British Petroleum Co. — United Kingdom** [oil/gas]	**Reichhold Chemicals, Inc.** (polyolefin & vinyl materials division)	37.0
38. **Rowntree Mackintosh PLC — United Kingdom** [chocolate, confectionery prdts., snack foods]	**Cole National Corp.** (The Original Cookie Co., Inc.) [retail cookies]	36.0
*39. **Bank of Montreal — Canada** [banking]	**First National Bank & Trust Co. of Barrington** [bank in Illinois]	32.0
*40. **Ciba-Geigy Ltd. — Switzerland** [chemicals & drugs]	**Spectra-Physics, Inc. — 16%** [world's largest laser mfr.]	31.9
41. **Hill Samuel Group PLC — United Kingdom** [financial services]	**Inter-Regional Financial Group, Inc.** (Investment Advisers, Inc.) [money manager]	27.1
42. **Rio Tinto-Zinc Corp. PLC — United Kingdom** [mining]	**Ideal Basic Industries, Inc.** (its 87.8% interest in Potash Co. of America Inc. — Canada)	26.5
*43. **Fujisawa Pharmaceutical Co. Ltd. — Japan** [pharmaceuticals]	**Lyphomed, Inc. — 24%** [major U.S. producer of critical care injectable drugs]	26.3
44. **Burmah Oil PLC — United Kingdom** [oil/gas]	**Advance Process Supply, Inc.** [printing inks, eqpt. & materials]	25.0
*45. **Lucas Industries PLC — United Kingdom** [auto, aerospace & ind'l. engineering prdts.]	**Duralith Corp.** [graphic plastic control assemblies]	24.0
*46. **Societe Docks de Cedex — France** [wholesale food distributor]	**Lil' Champ Food Stores, Inc. — remaining 65%** [convenience stores]	22.7
*47. **James Hardie Industries Ltd. — Australia** [packaging, printing eqpt., publishing]	**Nolex Corp.** [wholesale paper distributor]	21.7
48. **Chemring PLC — United Kingdom** [chemicals]	**Allegheny International, Inc.** (Pains-Wessex Ltd. — United Kingdom) [chemicals]	20.8
*49. **Ing. C. Olivetti & Co. — Italy** [office eqpt. & computers]	**Docutel/Olivetti Corp. — remaining 54%** [U.S. distributor of Olivetti's prdts.]	20.2
50. **Koninklijke Wessanen N.V. — Netherlands** [food processor]	**Riverside Group, Inc.** (Tree of Life Inc. and American National Snacks Inc.) [health food prdts.]	15.0
51. **Albert Fisher — United Kingdom** [wholesale dstr. fruits & vegetables]	**Ziff** [distributes disposable paper & plastic prdts.]	13.5
52. **Ladbroke Group PLC** [hotels, gambling]	**Rodeway Inns International** [franchises 138 hotels in North America]	13.0
53. **ASEA AB — Sweden** [electrical eqpt.]	**Barry Wright Corp.** (Parametrics division) [motor speed controls]	12.0

* Acquisitions appear with more details in the Transaction Roster beginning on page 162

Source: W.T. Grimm & Co.

	Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
54.	**Metal Box PLC — United Kingdom** [packaging & containers]	**Kingston Tool Co.** (Eyelet Specialty Co.) [metal & plastic lipstick cases]	$ 12.0
55.	**Saatchi & Saatchi Co. — United Kingdom** [U.K. largest advertising agency]	**Rowland Co.** [public relations]	10.0
56.	**National Australia Bank Ltd. — Australia** [banking]	**Beneficial Corp.** (Beneficial Finance Ltd. — New Zealand) [consumer finance]	10.0
57.	**Southbrook International Television Co. — United Kingdom**	**Wrather Corp.** (TV & motion picture properties) [includes "Lassie," "Lone Ranger" and "Sgt. Preston" TV series]	10.0
58.	**Kinnevik Group — Sweden** [rock drilling prdts.]	**Kennametal, Inc.** (Kenroc Tools Division — Canada) [hard rock mining tools]	10.0
59.	**National Business Systems, Inc. — Canada** [printers]	**Card Technology Corp.** [electro-mechanical processing eqpt.]	9.0
60.	**Hawker Siddeley Group PLC — United Kingdom** [electrical/mechanical engineering, whiskey distilling, diesels, metals]	**Clevepak Corp.** (Torin Engineered Blowers and Torin U.K. Ltd.) [process eqpt.]	9.0
61.	**Christian Salvesen — United Kingdom** [food distribution svs.]	**United Packing Co.** [operates fruit packing station]	9.0
*62.	**Lumonics, Inc. — Canada** [commercial laser-based prdts.]	**Photon Sources, Inc.** [laser eqpt.]	8.4
63.	**Stockman A.B. — Finland**	**Reeves Communications Corp.** (Oy Hobby Hall — Finland) [mail order hobby kits]	6.3
64.	**Northern Foods PLC — United Kingdom** [meat/dairy prdts., cakes & biscuits]	**CPI Corp.** (residential services division) [in-home carpet cleaning services under license with Sears Roebuck stores]	6.1
65.	**Imperial Chemical Industries PLC — United Kingdom** [chemicals, synthetic fibers]	**West Chemical Products, Inc.** (phenothiazine business)	7.5
66.	**John Waddington — United Kingdom** [printing & publishing]	**Comet Products** [plastic containers]	7.1
67.	**Bowater Industries PLC — United Kingdom** [paper prdts. & containers]	**Technology, Inc.** (Harcostar Ltd.) [plastic blow-molding]	6.8
68.	**AMARI — United Kingdom** [metals & plastics]	**Ontario Metals Supply, Inc.** [distributes metals]	6.0
69.	**Laporte Industries PLC — United Kingdom** [chemicals]	**Oil-Dri Corp. of America** (German operations) [oil/grease absorbants]	5.0
70.	**O&K Co. Ltd. — Japan** [cold-heading wire producer]	**Wire Sales Co.** [wire producer]	4.8
71.	**KLP Group PLC — United Kingdom**	**Reeves Communications Corp.** (Odhams Leisure Group Ltd. — United Kingdom) [mail order consumer/leisure prdts.]	4.5

* Acquisitions appear with more details in the Transaction Roster beginning on page 162.

Source: W.T. Grimm & Co.

Foreign Buyer [business and/or product line]	Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
72. **Saatchi & Saatchi Co. — United Kingdom** [U.K. largest ad agency]	**Kleid Co.** [direct marketing analyses thru computer systems]	$ 4.0
*73. **N.V. Amev — Netherlands** [insurance, financial services, property development]	**Windsor Life Insurance Co. of America** [life insurance]	3.8
74. **Bank of Tokyo Ltd. — Japan** [banking]	**Continental Illinois Corp.** (Continental Illinois Leasing do Brazil)	3.1
75. **Innopac, Inc. — Canada** [plastic containers]	**New Manchaug Corp.** [mfrs. foam meat trays]	3.0
*76. **McPherson's Ltd. — Australia** [industrial fasteners, fittings, cutting tools]	**Learning Annex, Inc. — 15%** [adult education courses]	3.0
77. **Saatchi & Saatchi Co. — United Kingdom** [U.K. lgst. ad agency]	**Clancy, Shulman & Associates** [market research & consulting]	2.0
78. **BET — United Kingdom**	**Spectradyne, Inc.** (Spectradyne U.K. Ltd. and Spectradyne Int'l Corp. N.V.) [mfrs., installs & maintains pay-per-view hotel movie systems]	2.0
79. **Jysk Sengetojslager A/S — Denmark** [retailing]	**Reeves Communications Corp.** (Positiv Fritid A.B. and Positiv Fritid A/S) [direct marketing units in Sweden & Denmark]	1.3
80. **Siemens A.G. — W. Germany** [electronic components, automated eqpt.]	**Bloxcom Corp. — 80%** [markets electronic & electro-mechanical relays]	1.0

* Acquisitions appear with more details in the Transaction Roster beginning on page 162.

Source: W.T. Grimm & Co.

FOREIGN SELLERS

Stronger growth rates for the European and Canadian economies together with the drop in the value of the U.S. dollar attracted more U.S. investments abroad. American purchases of foreign businesses increased 19% to 175 from 147 in 1984. With European governments gradually making structural adjustments that can restore long-term economic health for their countries, U.S. corporations are beginning to pursue acquisitions of European assets. At the same time, thanks to the falling dollar, U.S. corporations were less concerned about currency transaction losses. A rising dollar shrinks the profits U.S. companies earn on foreign operations. Since the dollar peaked against major foreign currencies in early 1985, U.S. interest in foreign acquisitions resumed.

Figure 18 divides the total number of U.S. acquisitions of foreign companies into four groups: (1) U.S. firms acquiring controlling interests in foreign companies, (2) U.S. firms purchasing minority interests in foreign companies, (3) foreign corporations divesting foreign-based units, and (4) foreign corporations divesting U.S.-based units.

U.S. ACQUISITIONS OF FOREIGN COMPANIES

	Acquisitions of		Divestitures of		Total
	Controlling Interests	Minority Interests	Foreign-Based Units	U.S.-Based Units	Foreign Sellers
1980	62	15	18	7	102
1981	67	14	9	11	101
1982	69	15	22	15	121
1983	95	15	17	19	146
1984	81	16	28	22	147
1985	89	17	37	32	175

Source: W.T. Grimm & Co.

Figure 18.

After averaging 66 transactions a year from 1980 through 1982, U.S. acquisitions of controlling interests in foreign companies averaged close to 90 in the last three years. The same dynamics underlying the influx of foreign buyers during the '70s, specifically falling exports and rising labor costs, prompted American companies to acquire foreign businesses. The depressed state of U.S. exports have led some companies, particularly those in the industrial goods sector, to purchase manufacturing facilities overseas. Rising from four transactions in 1981 to 13 in 1984 and 10 in 1985, the Industrial & Farm Equipment & Machinery industry currently attracts a substantial number of American buyers. (See page 71.)

Another recent motivating factor in purchasing a foreign company is to avoid protectionism. Should a U.S. company have difficulty introducing its products into a foreign market due to tariff barriers, then an acquisition of a foreign concern serving the targeted market becomes a primary strategic alternative. This may explain some of the interest in Japanese companies. Although there were no acquisitions of Japanese companies in 1980 and 1981, there were three each in the next two years. In both 1984 and 1985, American companies acquired seven Japanese firms. (See page 73.) In view of the disdain the Japanese have for acquisitions, the reason for Japan's increasing acceptance of company purchases is economic. Faced with strong competition at home from larger Japanese companies, many small and medium-sized Japanese firms are having difficulty maintaining market shares and profits. The alternatives are to merge with a larger Japanese company or unite with a foreign one.

In general, the increase in U.S. acquisitions of controlling interests in foreign businesses is a result of American corporations accelerating their strategic plans aimed at expanding into foreign markets. Acquisitions of foreign companies play a significant role in executing global strategies.

The rate of U.S. purchases of minority interests in foreign companies has been fairly even throughout the last five years, averaging about 15 a year. Some countries have government regulations preventing foreign entities from gaining control in their companies.

A major contributing factor to the increase in American purchases of foreign businesses has been the change in thinking among foreign managements toward divestitures. Recent economic slowdowns and greater global competition have forced foreign corporations to critically review their businesses and divest those units not meeting strategic and/or financial goals. Divestitures of foreign-based subsidiaries rose to 37 in 1985 from 28 in 1984, while foreign companies sold ten more U.S. based units in 1985 than they did in 1984. The sale of U.S. divisions has been growing in the last six years, rising from 7 in 1980 to 32 in 1985. This six-year increase follows the late 1970s when foreign companies aggressively sought U.S. acquisitions (see page 55), suggesting that some of those earlier acquisitions did not succeed. Reasons for the failure of foreign firms' U.S. investments include a limited knowledge of the U.S. market, foreign managers overlooking the difference between running a business in the U.S. and managing in their home countries, and weak management links between the foreign parent and the U.S. subsidiary.

U.S. ACQUISITIONS OF FOREIGN COMPANIES
1972 — 1985

Year	Total Transactions	Transactions Valued at $100MM or more	Transactions Valued at $1,000MM or more	Total Dollar Value Paid (millions of dollars)	Base*
1972	531	2	—	#	
1973	323	—	—	#	
1974	257	—	—	#	
1975	178	—	—	$ 433.2	48
1976	126	1	—	887.1	44
1977	112	2	—	951.6	48
1978	98	1	—	680.3	36
1979	119	4	—	1,475.5	34
1980	102	4	1	3,779.7	26
1981	101	3	—	1,073.0	34
1982	121	3	—	770.1	31
1983	146	9	—	2,490.8	41
1984	147	8	—	2,550.0	48
1985	175	3	—	1,449.1	46

Data not collected in that year.

* Base: The number of transactions disclosing a purchase price.

Foreign seller data presented here consist of both the acquisitions of entire companies and the purchases of divisions and subsidiaries, while foreign seller data detailed in Figures 3, 4, 7, and 8 represent only acquisitions of entire companies.

Source: W.T. Grimm & Co.

(The W.T. Grimm & Co. Research Department started monitoring U.S. acquisitions of foreign companies in 1972.)

Figure 19.

Historical Note

U.S. purchases of foreign companies plunged 82% from 531 in 1972 to 98 in 1978. Having traditionally invested capital and technology during the 1960s to develop industries in other nations, the United States entered the '70s only to confront a variety of domestic economic problems requiring the full attention and

diligence of American companies. Rising inflation, recession, tight money, lower earnings, growing unemployment, mounting Federal deficits, all forced U.S. corporate managements to concentrate on ensuring economic survival of their businesses. Furthermore, the weakened dollar and a flurry of nationalizations of foreign investments in certain countries hindered any further American investments abroad.

The decline in $100 million-plus transactions (3 in 1985 versus 8 in 1984) resulted in a 43% drop in the total dollar value paid for U.S. acquisitions of foreign companies. The dollar aggregate fell from $2.55 billion in 1984 to the current $1.45 billion. The three transactions valued at $100 million or more are (1) Mercantile House Holdings' (U.K.) sale of an 82% interest in Oppenheimer Holdings, Inc., a U.S. based investment banker, to members of Oppenheimer management for $150 million; (2) Dunlop Holdings' (U.K.) sale of its U.S. operations to a private group consisting of Dunlop's U.S. management and other investors for $118 million; and (3) the $116.3 million acquisition of de Havilland Aircraft of Canada by Boeing Co.

Except for 1984, the Miscellaneous Services industry classification has always attracted the highest number of American buyers whose main objective is to expand bases for their client services. Therefore, it is not surprising that the most common acquisitions in this industry are of advertising agencies. Growth strategies for American advertisers largely entail the acquisition of, or minority interest purchase in, advertising agencies located in major foreign markets.

In 1984, the Industrial & Farm Equipment & Machinery Industry category had the highest number of U.S. acquirers. The 13 transactions in this industry fell slightly to ten in 1985. Rising imports of capital goods have exacerbated the problems besetting the machinery industry. Despite the general increase in capital spending, industry-wide capacity utilization continued to be higher than demand. Export markets remained nonproductive with the dollar at record levels, while imports accounted for almost half of all capital investment dollars. Rather than fight the foreign competition, a number of capital goods producers and heavy equipment manufacturers are purchasing minority or controlling interests in foreign machinery concerns, along with establishing licensing, distribution and technical assistance agreements.

The number of foreign sellers in each of the 50 W.T. Grimm & Co. industry classifications appears on page 71, followed by a dollar breakdown on page 72.

After declining for three years, U.S. purchases of Canadian companies in 1985 almost doubled the 1984 level, rising from 24 to 42 transactions. Having vowed to improve Canada's economy and spur new foreign investment, Prime Minister Brian Mulroney, elected in the last half of 1984, has already deregulated Canada's oil industry, begun to deregulate the transportation and financial markets, and most important, replaced the Foreign Investment Review Agency (FIRA) with a promotion-oriented agency called Investment Canada. Since 1974 FIRA has stressed protection of Canadian industry from foreign ownership. Investment Canada, however, encourages foreign investment, especially from the United States. Bureaucratic screening was eliminated on almost all new foreign investment. Review is still required on direct acquisitions when assets are $3.8 million or more. However, the reviewing process was cut to a maximum of 75 days. Under former Prime Minister Trudeau, FIRA decisions in some instances took more than a year. On the economic front, Canada's growth rate in 1985 was 4.4%, faster than any other major industrialized country. Hence, a relatively healthy economy, less government involvement in investment decisions, and generally higher profits for Canadian companies, all have attracted American buyers.

A listing of 1985's foreign sellers by country begins on page 73. Totals for the previous nine years are also provided. A tabulation by dollars per country for the last six years appears on page 74.

The 46 foreign seller transactions disclosing a purchase price during 1985 are listed in descending order by the price paid value beginning on page 75.

INDUSTRIES ATTRACTING AMERICAN BUYERS
1981 — 1985

Seller Industry Category	Number of Transactions					
	1981	1982	1983	1984	1985	Five Year Cumulative
Miscellaneous Services	10	12	13	7	16	58
Wholesale & Distribution	6	5	8	10	13	42
Drugs, Medical Supplies & Equipment	2	9	8	9	10	38
Industrial & Farm Machinery & Equipment	4	2	8	13	10	37
Food Processing	5	4	5	4	9	27
Leisure & Entertainment	–	–	3	3	8	14
Chemicals, Paints & Coatings	6	2	6	5	7	26
Valves, Pumps & Hydraulics	5	3	4	4	7	23
Banking & Finance	5	7	8	5	7	32
Automotive Products & Accessories	–	1	1	3	6	11
Brokerage, Investment & Management Consulting Services	1	4	2	10	6	23
Household Goods	–	–	1	2	5	8
Electronics	3	5	3	9	5	25
Miscellaneous Manufacturing	2	2	4	1	5	14
Broadcasting	–	1	1	–	5	7
Oil & Gas	2	5	5	6	4	22
Retail	5	1	2	2	4	14
Computer Software, Supplies & Services	2	4	3	5	4	18
Printing & Publishing	1	2	3	5	3	14
Toiletries & Cosmetics	–	2	3	–	3	8
Plastics & Rubber	–	1	4	1	3	9
Electrical Equipment	4	7	4	2	3	20
Textiles	–	–	1	2	2	5
Primary Metal Processing	1	1	5	2	2	11
Fabricated Metal Products	3	5	4	1	2	15
Autos & Trucks	1	–	–	–	2	3
Aerospace, Aircraft & Defense	–	–	1	–	2	3
Instruments & Photographic Equipment	4	8	3	7	2	24
Mining & Minerals	2	–	–	1	2	5
Communications	3	–	–	–	2	5
Insurance	6	7	4	6	2	25
Energy Services	–	2	–	–	2	4
Health Services	–	–	–	1	2	3
Conglomerate	–	1	1	–	2	4
Agricultural Production	3	1	1	1	1	7
Beverages	2	1	1	1	1	6
Packaging & Containers	–	3	2	–	1	6
Building Products & Materials	–	–	–	3	1	4
Stone, Clay & Glass	2	2	2	4	1	11
Office Equipment & Computer Hardware	4	1	6	2	1	14
Electric, Gas, Water & Sanitary Services	–	–	4	1	1	6
Construction Contractors & Engineering Services	1	2	5	3	1	12
Apparel	1	1	3	1	–	6
Timber & Forest Products	–	–	–	–	–	–
Paper	2	2	1	2	–	7
Furniture	–	–	–	–	–	–
Construction, Mining & Oil Field Machinery & Equipment	2	1	1	2	–	6
Toys & Recreational Products	1	2	1	–	–	4
Transportation	–	1	1	1	–	3
Real Estate	–	1	–	–	–	1
Totals	101	121	146	147	175	690

Source: W.T. Grimm & Co.

FOREIGN SELLERS
INDUSTRY DOLLAR TOTAL
1981 — 1985

Seller Industry Category	Total Dollar Value (Base*) 1981	1982	1983	1984	1985
Leisure & Entertainment	$ –	$ –	$ 18.9 (2)	$ 12.0 (1)	$ 162.0 (2)
Brokerage, Investment & Management Consulting Services	–	16.2 (2)	29.7 (1)	123.5 (3)	157.6 (2)
Automotive Products & Accessories	–	–	–	–	140.0 (2)
Aerospace, Aircraft & Defense	–	–	–	–	116.3 (1)
Miscellaneous Services	49.8 (2)	–	53.0 (2)	30.9 (2)	92.5 (1)
Food Processing	51.5 (2)	153.5 (2)	105.0 (1)	95.5 (3)	70.0 (2)
Broadcasting	–	2.0 (1)	55.0 (1)	–	67.0 (2)
Electronics	3.0 (1)	4.3 (2)	–	3.5 (1)	61.1 (3)
Printing & Publishing	–	4.5 (1)	8.2 (1)	52.0 (1)	59.3 (2)
Insurance	342.3 (5)	–	168.6 (2)	266.0 (2)	55.5 (2)
Retail	60.3 (2)	–	4.1 (1)	30.1 (1)	55.0 (1)
Conglomerate	–	10.7 (1)	0.4 (1)	–	51.9 (2)
Banking & Finance	156.1 (2)	220.0 (2)	880.7 (5)	99.0 (3)	43.2 (2)
Agricultural Production	26.7 (2)	–	–	95.5 (1)	42.5 (1)
Chemicals, Paints & Coatings	5.5 (1)	–	–	132.3 (2)	41.2 (1)
Oil & Gas	130.0 (1)	36.8 (2)	109.0 (2)	908.0 (5)	36.9 (3)
Wholesale & Distribution	29.7 (3)	55.2 (2)	–	–	34.7 (3)
Valves, Pumps & Hydraulics	27.5 (2)	1.2 (1)	183.0 (2)	1.6 (1)	25.4 (2)
Mining & Minerals	–	–	–	–	23.7 (1)
Industrial & Farm Machinery & Equipment	–	6.0 (1)	16.7 (3)	7.7 (2)	22.0 (1)
Computer Software, Supplies & Services	–	3.8 (2)	4.2 (1)	101.7 (1)	20.3 (2)
Household Goods	–	–	32.0 (1)	327.0 (1)	15.0 (1)
Miscellaneous Manufacturing	38.0 (1)	8.0 (1)	13.3 (1)	–	15.0 (1)
Electrical Equipment	–	137.1 (3)	14.1 (2)	–	14.0 (1)
Health Services	–	–	–	20.0 (1)	13.8 (1)
Textiles	–	–	119.0 (1)	15.4 (2)	6.1 (1)
Office Equipment & Computer Hardware	71.0 (2)	–	275.7 (3)	4.9 (2)	4.0 (1)
Drugs, Medical Supplies & Equipment	–	10.0 (1)	316.5 (2)	3.4 (2)	2.0 (1)
Fabricated Metal Products	2.5 (1)	–	10.0 (1)	–	1.1 (1)
Beverages	–	–	–	43.3 (1)	–
Apparel	2.0 (1)	8.3 (1)	–	–	–
Paper	17.0 (1)	–	28.2 (1)	–	–
Packaging & Containers	–	5.9 (2)	–	–	–
Building Products & Materials	–	–	–	19.7 (2)	–
Toiletries & Cosmetics	–	–	23.7 (2)	–	–
Stone, Clay & Glass	50.0 (1)	43.0 (1)	–	6.6 (2)	–
Construction, Mining & Oil Field Machinery & Equipment	–	–	–	57.4 (2)	–
Instruments & Photographic Equipment	2.8 (2)	–	–	11.0 (2)	–
Toys & Recreational Products	4.3 (1)	9.6 (1)	–	–	–
Communications	3.0 (1)	–	–	–	–
Electric, Gas, Water & Sanitary Services	–	–	9.0 (1)	1.0 (1)	–
Real Estate	–	31.0 (1)	–	–	–
Construction Contractors & Engineering Services	–	–	12.8 (1)	81.0 (1)	–
Energy Services	–	3.0 (1)	–	–	–
Totals	$1,073.0 (34)	$ 770.1 (31)	$2,490.8 (41)	$2,550.0 (48)	$1,449.1 (46)

*Base: The number of transactions disclosing a purchase price.

Source: W.T. Grimm & Co.

FOREIGN SELLERS
NUMBER OF TRANSACTIONS BY COUNTRY
1976 — 1985

Country of Seller	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Ten Year Cumulative
United Kingdom	26	24	29	35	38	27	30	39	45	44	337
Canada	32	32	23	15	15	8	30	35	24	42	256
France	13	8	3	17	8	12	8	8	15	16	108
West Germany	8	9	7	10	7	11	12	13	13	15	105
Italy	–	2	–	4	2	3	2	6	6	13	38
Australia	7	3	8	6	7	7	6	3	6	7	60
Japan	8	2	1	2	–	–	3	3	7	7	33
Netherlands	2	3	5	4	3	6	3	8	3	7	44
Switzerland	5	2	2	1	2	1	10	11	3	5	42
Belgium	3	4	1	1	1	1	2	1	3	3	20
Spain	–	3	1	7	5	3	–	3	6	3	31
Sweden	4	2	2	1	1	2	–	1	3	3	19
Brazil	4	4	2	2	3	4	2	2	3	2	28
Taiwan	–	–	–	1	–	1	–	2	–	2	6
Mexico	3	3	–	2	3	4	1	1	–	1	18
New Zealand	–	–	–	1	–	–	–	–	2	1	4
Panama	–	1	–	–	–	–	–	–	–	1	2
Puerto Rico	1	3	–	–	–	1	1	2	–	1	9
Singapore	–	–	–	–	–	–	–	–	–	1	1
Turkey	–	–	–	–	–	–	–	–	–	1	1
Argentina	–	–	–	1	1	2	–	1	–	–	5
Austria	1	1	1	1	–	1	1	1	–	–	7
Bahamas	–	1	–	–	–	–	–	–	–	–	1
Barbados	–	–	–	–	1	–	–	–	–	–	1
Chile	–	1	1	–	–	1	–	–	–	–	3
Colombia	–	–	–	1	–	–	–	–	–	–	1
Denmark	3	1	2	2	–	2	–	1	2	–	13
Dominican Republic	–	–	–	–	1	–	–	–	–	–	1
Finland	–	–	–	–	–	–	–	1	–	–	1
Greece	–	–	1	–	–	–	1	–	–	–	2
Haiti	–	–	–	–	–	–	–	1	–	–	1
Hong Kong	–	2	3	2	–	–	4	1	4	–	16
Iran	–	1	–	–	–	–	–	–	–	–	1
Israel	–	–	1	–	–	2	–	–	–	–	3
Jamaica	–	–	1	–	–	–	–	–	–	–	1
Jordan	–	–	1	–	–	–	–	–	–	–	1
Liechtenstein	–	–	–	–	–	–	–	–	1	–	1
Luxembourg	–	–	–	–	–	–	1	–	–	–	1
Malaysia	–	–	–	–	–	–	1	–	–	–	1
Nigeria	–	–	–	–	1	–	–	–	–	–	1
Norway	–	–	1	–	–	–	–	–	1	–	2
Peru	–	–	–	–	1	–	–	–	–	–	1
Philippines	–	–	1	–	–	–	–	–	–	–	1
South Africa	–	–	–	1	–	–	1	–	–	–	2
South Korea	–	–	–	1	1	–	1	–	–	–	3
Sri Lanka	–	–	–	–	–	–	–	1	–	–	1
Uruguay	1	–	–	1	–	–	–	–	–	–	2
Venezuela	–	–	–	–	–	2	–	1	–	–	3
Zimbabwe	–	–	–	–	–	–	1	–	–	–	1
Undisclosed	5	–	1	–	1	–	–	–	–	–	7
Total Foreign Sellers	126	112	98	119	102	101	121	146	147	175	1,247

Source: W.T. Grimm & Co.

FOREIGN SELLERS
DOLLAR TOTAL BY COUNTRY
1980 — 1985

Country of Seller	Total Dollar Value (Base*) 1980	1981	1982	1983	1984	1985
United Kingdom	$1,224.4 (15)	$ 552.2 (15)	$367.6 (11)	$ 656.5 (16)	$ 554.8 (16)	$ 721.9 (18)
Canada	2,493.0 (5)	155.2 (2)	89.3 (9)	398.6 (11)	1,191.0 (14)	348.2 (11)
Australia	3.8 (1)	–	–	–	339.6 (3)	111.7 (3)
Netherlands	–	26.0 (2)	–	180.2 (3)	–	96.2 (3)
West Germany	–	61.7 (4)	13.2 (3)	6.7 (1)	120.4 (2)	56.0 (3)
Belgium	–	–	–	–	–	40.0 (1)
France	35.0 (1)	9.3 (3)	43.0 (1)	–	110.1 (4)	27.1 (4)
Japan	–	–	–	313.5 (1)	7.0 (1)	22.0 (1)
Italy	–	17.5 (2)	55.0 (1)	288.2 (2)	–	17.8 (1)
Turkey	–	–	–	–	–	8.2 (1)
Brazil	–	–	–	–	20.0 (1)	–
Mexico	11.5 (1)	95.0 (2)	–	6.5 (1)	–	–
New Zealand	–	5.6 (1)	–	–	–	–
Puerto Rico	–	3.0 (1)	2.2 (1)	55.0 (1)	–	–
Spain	4.0 (1)	–	–	17.2 (1)	–	–
Sweden	–	2.5 (1)	–	–	4.9 (1)	–
Switzerland	–	–	178.0 (3)	565.4 (3)	18.7 (2)	–
Argentina	–	145.0 (1)	–	–	–	–
Denmark	–	–	–	–	2.7 (1)	–
Finland	–	–	–	3.0 (1)	–	–
Hong Kong	–	–	8.3 (1)	–	180.8 (3)	–
Nigeria	3.5 (1)	–	–	–	–	–
Peru	4.5 (1)	–	–	–	–	–
Zimbabwe	–	–	13.5 (1)	–	–	–
Totals	$3,779.7 (26)	$1,073.0 (34)	$770.1 (31)	$2,490.8 (41)	$2,550.0 (48)	$1,449.1 (46)

*Base: The number of transactions disclosing a purchase price.

Source: W.T. Grimm & Co.

AMERICAN ACQUISITIONS OF FOREIGN COMPANIES
1985

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
1. **Private Group** [members of Oppenheimer mgmt.]	**Mercantile House Holdings PLC — United Kingdom** (82% of Oppenheimer Holdings Inc. — U.S.) [securities broker/investment banker]	$ 150.0
2. **Private Group** [includes senior mgmt. of unit & other investors]	**Dunlop Holdings PLC — United Kingdom** (Dunlop Tire & Rubber Corp. — U.S.) [tires]	118.0
3. **Boeing Co.** [jet airplanes, missiles]	**de Havilland Aircraft of Canada Ltd. — Canada** [gov't.-owned mfr. of commuter turboprop aircraft]	116.3
4. **Prime Motor Inns** [chain of motor inns]	**Imperial Group PLC — United Kingdom** (hotel operations of Howard Johnson Co.)	97.0
5. **Transworld Corp.** [food services, lodging]	**Hanson Trust PLC — United Kingdom** (Interstate United Corp.) [food service management]	92.5
6. **Marriott Corp.** [hotels, restaurants, food services]	**Imperial Group PLC — United Kingdom** (restaurant operations of Howard Johnson Co.)	65.0
7. **Private Group** [led by Leonard Stern, chairman of Hartz Mountain Industries]	**News Corp. — Australia** (Village Voice) [weekly newspaper based in New York City]	55.0
8. **Western Auto Supply Co.** [distributes auto supplies]	**Canadian Tire Corp. Ltd. — Canada** (White Stores, Inc. — U.S.) [retail grocery & variety stores]	55.0
Purchase price lowered to $24.0 million in March, 1986.		
9. **Emhart Corp.** [mchy., hardware, ind'l. prdts.]	**Wedge International Holdings B.V. — Netherlands** (Arcotronics Group) [capacitors]	53.0
10. **Aetna Life & Casualty Co.** [insurance holding]	**Globe Investment Trust PLC — United Kingdom** (Tyndall Group Ltd.) [life insurance]	51.0
11. **Tele-Communications, Inc.** [cable TV]	**Agra Industries Ltd. — Canada** (Chicago, IL CATV System with 60,000 subscribers)	50.0
12. **Philip Morris Cos., Inc.** [cigarettes, brewery, soft drinks]	**Philip Morris Australia Ltd.— Australia — remaining 21%** [cigarettes, wine & other alcoholic beverages]	48.9
13. **Universal Leaf Tobacco Co., Inc.** [leaf tobacco, insurance]	**Deli-Maatschappij N.V. — Netherlands** [tobacco processor/dealer]	42.5
*14. **Reichhold Chemicals, Inc.** [synthetic resins & specialty chemicals]	**Reichhold Ltd. — Canada — remaining 88.6%** [specialty chemicals]	41.2
15. **Pillsbury Co.** [food processor, restaurants]	**Raffinerie Tirlemontoise S.A. — Belgium** (Joan of Arc Co. — U.S.) [specialty canned foods]	40.0

* Acquisitions appear with more details in the Transaction Roster beginning on page 162.

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
16. **CoreStates Financial Corp.** [bank holding in Pennsylvania]	**Lloyds Bank PLC — United Kingdom** (James Talcott Inc. — U.S.) [commercial finance]	$ 35.0
17. **Avalon Corp.** [oil/gas expl'n. & dev.]	**Maynard Energy, Inc. — Canada** [oil/gas]	33.0
18. **Pillsbury Co.** [food processor, restaurants]	**Reckitt & Coleman PLC — United Kingdom** (potato division of R.T. French Co. — U.S.) [dehydrated potato prdts.]	30.0
19. **Arrow Electronics, Inc.** [distributes electronic parts]	**Spoerle Electronics — W. Germany — 40%** [distributes electronic parts]	24.0
20. **Northern Copper Co.** [controlled by a group of former mgmt. members & employees of Copper Range]	**Echo Bay Mines Ltd. — Canada** (Copper Range Co. — U.S.) [copper, gold, silver & coal mining]	23.7
21. **Raychem Corp.** [plastic & elastomeric prdts.]	**Walter Rose GmbH & Co. K.G. — W. Germany — 90%** [ind'l. prdts.]	22.0
22. **Tenneco, Inc.** [oil/gas, chemicals, insurance]	**Mitsubishi Corp. — Japan** (W.H. Wylie & Co. Pty. — Australia) [shock absorbers & struts]	22.0
23. **Goulds Pumps, Inc.** [pumps]	**Lowara Pumps S.p.A. — Italy** [centrifugal pumps]	17.8
24. **Communications Services, Inc.** [cable TV]	**Rogers Cablesystems, Inc. — Canada** (3 cable system in TX & OK with 18,000 subscribers)	17.0
25. **Black & Decker Corp.** [power tools, small appliances]	**Rank Organization Ltd. — United Kingdom** (Rank Electric Housewares Pty. and Rank Appliances New Zealand Ltd.)	15.0
26. **Electronic Specialty Products, Inc.** [operates, leases, services & sells video games]	**M. Gerard Joalliers S.A. — France** [mfrs. & retails jewelry]	15.0
27. **Computer Products, Inc.** [power-conversion prdts. & control systems]	**BICC PLC — United Kingdom** (Boschert, Inc. — U.S.) [switching power supplies]	14.0
28. **Superior Care, Inc.** [home health care services]	**Hospital Capital Corp. Ltd. — United Kingdom** [health care services]	13.8
29. **McDonnell Douglas Corp.** [aircraft, electronics]	**Applied Research of Cambridge Ltd. — United Kingdom** [computer-aided design software for architects & engineers]	12.5
30. **Standard Commercial Tobacco Co., Inc.** [leaf tobacco processing]	**Lohmann & Co. GmbH — W. Germany** [wool wholesaler]	10.0
31. **Citicorp** [bank holding]	**Seccombe, Marshall & Campion PLC — United Kingdom** [money market agent]	7.6
32. **Dresser Industries, Inc.** [prdts. & services for energy & natural resource industries]	**Worthington-Simpson Ltd. — United Kingdom — remaining 50%** [pumps]	7.6
33. **Irving Bank Corp.** [bank holding]	**Yasar Holding AS — Turkey** (40% of Tutunculer Bankasi A.S. — Turkey) [bank]	8.2

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Foreign Seller (if applicable, unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
*34. **International Capital & Technology Corp.** [TV stations, publishing]	**Bakst International Ltd. — Australia** [computer consulting]	$ 7.8
35. **Collins & Aikman Corp.** [specialized textile prdts.]	**Berkley Wallcoverings, Inc. — Canada**	6.1
36. **Allied-Signal, Inc.** [diversified electronics & ind'l. prdts.]	**Thomson-CSF — France** (Socapex) [electronic connectors]	6.1
37. **St. Paul Cos., Inc.** [insurance]	**St. Katherine Insurance Co. PLC — United Kingdom — 25%** [primary underwriter of auto insurance in the UK]	4.5
38. **Culbro Corp.** [tobacco prdts. & snack foods]	**Centaur Communications Ltd. — United Kingdom — 25%** [publishes business periodicals]	4.3
39. **Signal Cos., Inc.** [electronics, aerospace]	**Rover S.A. — France — remaining 60%** [printer ribbons for data & word processors]	4.0
40. **Technology, Inc.** [ind'l. & aerospace prdts.]	**Butterfield — Harvey PLC — United Kingdom — remaining 87.5%** [plastics, furniture, hydraulics, waste disposal vehicles]	3.0
41. **Wepco Energy Co.** [oil/gas exploration]	**States Exploration Ltd. — Canada** [oil/gas exploration]	2.4
42. **American Cyanamid Co.** [chemicals & drugs]	**Langford Laboratories Ltd. — Canada — 49.9%** [veterinary biological vaccines]	2.0
43. **Hadco Corp.** [printed circuits]	**S.A. Comelin — France — 49%** [high-density, multilayer printed circuits]	2.0
44. **Maynard Oil Co.** [oil/gas expl'n. & development]	**Foco Oils Ltd. — Canada** [oil/gas]	1.5
45. **Ferrofluidics Corp.** [seals & dampers for computers]	**Aircraft Fasteners Ltd. — United Kingdom** [high precision mechanical parts]	1.1
46. **Melridge, Inc.** [markets floricultural prdts.]	**Ruud Van Den Adel Import/Export B.V. — Netherlands** [imports/exports cut flowers]	0.7

* Acquisitions appear with more details in the Transaction Roster beginning on page 162.

Source: W.T. Grimm & Co.

ACQUISITION LEADERS

There are 55 companies on the W. T. Grimm & Co. aggressive buyer roster for 1985, each one acquiring five or more concerns, and accounting for a grand total of 345 acquisitions, or 11% of all 1985 merger-acquisition activity. This compares with only 182 acquisitions, 7% of all activity, by 26 aggressive buyers during 1984.

All but seven of the entries on the 1985 list are newcomers. The seven returning aggressive acquirers are ConAgra Inc., Dart & Kraft Inc., Dun & Bradstreet Corp., Cronus Industries Inc., MacMillan Inc., McKesson Corp., and Security Pacific Corp. In view of the substantial increase in banking acquisitions, the 1985 aggressive buyer roster contains 13 bank holding companies, while the 1984 list had only two.

The 55 aggressive buyers of 1985 and the number of known acquisition proposals initiated by each are indicated here along with the types of product lines and businesses that were acquired. Brief summaries of the companies' corporate strategies and acquisition programs are also provided to demonstrate the role of acquisitions in corporate growth and expansion, diversification, and restructuring plans.

AGGRESSIVE BUYERS

1985

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Merrill Lynch & Co. Inc.	14	real estate brokers - securities broker - merger/acquisition consultant

The most aggressive acquirer over a seven-year cumulative period (see page 91), Merrill Lynch has expanded into most areas of the financial services industry. The world's largest securities broker is now active in commodity futures, investment and merchant banking, real estate brokerage and financing, mortgage insurance, and relocation services. In keeping with its goal to become a preeminent provider of a broad range of quality real estate services, Merrill Lynch recently expanded its residential realty operations by purchasing realtors in additional major markets.

Chase Manhattan Corp.	13	savings & loans - savings banks - bank holding co. - commercial finance

Chase Manhattan, the most aggressive among bank holding companies in 1985, intends to create a nationwide commercial banking network. Because Chase is a New York City-based money-center bank, it is prohibited from acquiring many regional bank holding companies due to the various regional banking compacts enacted by a variety of states. However, in 1985, Chase was allowed to purchase a number of failing thrifts in Ohio and Maryland.

Price Communications Corp.	11	radio & television stations - newspaper - specialty publisher - outdoor advertising

Founded in 1979, Price Communications completed an initial public stock offering in 1982 and in 1985 raised additional funds through a subordinated debt offering. Armed with fresh capital, Price implemented an aggressive acquisition program focusing on strong radio, TV, print, and billboard properties in medium-size markets. The company's strategic objective is to become a significant factor in the communications/media industry.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Libbey Owens Ford Co.	9	**auto glass replacement stores - fluid power & hydraulic components - high pressure laminates - custom injection molded plastics**

Libbey Owens' acquisition strategy entails the purchase of complementary businesses in order to increase the company's penetration in U.S. and worldwide markets. With its markets including both OEM and aftermarket customers, Libbey Owens consists of three businesses: glass, fluid power, and plastics.

Ryder Systems Inc.	9	**aviation services - truck transporter - specialized transportation services - insurance management services**

In 1985, Ryder Systems, a growth-oriented company emphasizing transportation and insurance management services, completed its first acquisition of a New York Stock Exchange listed company, Aviall Inc. Through the $125.5 million Aviall acquisition, Ryder becomes a leading independent supplier of repair and overhaul services for the aviation market. Ryder's remaining acquisitions consisted of additions to its automotive carrier division, select for-hire transportation services operation, freight management division, and its insurance management services operation.

Banc One Corp.	8	**banks**

Ohio's second largest banking organization, Banc One expanded into Indiana, Michigan and Kentucky during 1985, while also increasing its share of the Ohio market. The company's interstate acquisition spree was attributed to recent regional banking laws passed by the states of Indiana, Michigan and Kentucky.

CB&T Bancshares Inc.	8	**banks**

Unlike other bank holding companies which actively search for large interstate acquisitions, CB&T, a multi-bank holding company in Georgia, concentrates on relatively small banks in Georgia and surrounding states. All eight acquisitions in 1985 were of Georgia banks. Due to the continual competitiveness in banking, many local banks, especially those serving smaller communities, find it difficult to remain competitive. CB&T, with its emphasis on strong local boards of directors and quality service to customers, acquires these small local banks and provides them support and assistance in promoting growth in their communities.

ConAgra Inc.	8	**fertilizer & agrichemicals distributors - grain & feed traders & distributors - peanut butter manufacturer**

ConAgra, appearing on the active buyer list for the second consecutive year, adheres to a policy of aggressive expansion through acquisition. Committed to becoming a major worldwide trader, merchandiser, and marketer of foodstuffs, food related commodities, and other commodities, ConAgra moved closer to this objective during 1985, and plans to further enhance its worldwide trading position in future years. ConAgra ranked eighth in the seven-year cumulative roster on page 91.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Dart & Kraft Inc.	8	pasta - frozen dinners - ice cream - foodservice distributors - bathroom scales

Another alumnus of the 1984 aggressive buyer roster, Dart & Kraft has been refocusing on the basic food businesses after pursuing profits through diversification. In the last four years, Dart & Kraft has divested companies and withdrawn from markets with inherently low returns. Its objective is to increase unit sales of existing products, extend product lines and develop new products, and acquire complementary businesses. In addition to its current food acquisitions, Dart & Kraft also purchased Borg-Erickson Corp., a bathroom scale manufacturer, to add to its Special Products unit.

Tenneco Inc.	8	packaging - auto parts - specialty auto repair chain - chemicals - natural gas pipelines

Tenneco, a multi-industry company, expanded and strengthened its existing holdings which are divided between energy and non-energy operations. The energy operations consist of oil/gas production, refining and natural gas pipelines. Because the energy sector has been in a profit squeeze, Tenneco made only one energy related acquisition. The remaining seven purchases were additions to the non-energy segment, including shipbuilding, automotive parts, packaging, insurance, and chemicals.

Whittaker Corp.	8	defense electronics - specialty chemical coatings - medical diagnostic systems - health maintenance organization

A combine of defense electronics, health care, chemicals, and metals, Whittaker intends to divest the metals group and build on its strengths in health care, defense technology, and specialty chemicals, both internally and through acquisitions. Its goal in health care entails the establishment of a nationwide network of HMOs, and as this HMO network expands, Whittaker plans to add to its medical supply business. In defense electronics, the company expects to expand its technical capabilities in aerospace and defense. The 1985 acquisition of Command, Control & Communications Inc. gives Whittaker the capacity to function as a prime contractor on military electronic intelligence systems. With sales for the specialty chemical group reaching an all-time high and operating profit approaching record levels, Whittaker is focusing on entering new markets.

Coca-Cola Co.	7	soft drink bottlers - television production - motion picture theaters - music publisher - frozen desserts

Coca-Cola continued to acquire "Coke" bottling companies as part of its strategy to build a strong bottler management network, thereby ensuring a full commitment to increased availability and awareness of Coca-Cola's products. The company also plans to enhance the growth potential of its food business with new products aimed at specific consumer preferences. Coca-Cola's objectives for its entertainment operations include the pursuit of opportunities that will increase production of programs for television. Coca-Cola's largest acquisition in 1985 was the $365 million purchase of Embassy Communications and Tandem Productions, which were co-owned by TV producer Norman Lear and Hollywood executive Jerry Perenchio. Embassy is a TV production company, while Tandem owns a library of television serials.

Colonial Bancgroup Inc.	7	banks

Based in Alabama, Colonial acquired seven Alabama banks. At this writing, Alabama has no regional compact banking laws. However, bank holding companies in states with no interstate acquisition legislation are still finding it necessary to expand their operations in the probable event that nationwide interstate banking becomes a reality.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Fourth Financial Corp.	7	**banks**

Fourth Financial was a one-bank holding company based in Kansas until that state repealed its prohibition against multi-bank holding companies in 1985. Fourth Financial, then, quickly expanded by acquiring other Kansas banks and, consequently, became a multi-bank holding company.

Grubb & Ellis Co.	7	**real estate brokers**

Grubb & Ellis, the third largest real estate services firm in the U.S., aggressively expanded into new geographic markets. Because real estate brokerage is highly fragmented, Grubb & Ellis management believes the industry is in the early stages of consolidation into fewer and larger companies.

Northeast Ohio Axle Inc.	7	**manufacturers of limosines, custom vans, and hearses - converter of automobiles to convertibles - aircraft engine replacement parts - electronic power systems for military**

Northeast Ohio Axle originated in 1984 as the corporate shell of White Motor Co., a billion-dollar conglomerate which went bankrupt in 1980. Owning a tax loss of more than $300 million, Northeast Ohio began aggressively seeking out companies whose earnings could be sheltered by the huge tax credit.

Pillsbury Co.	7	**restaurants - ice cream - frozen snack foods - canned foods - milling company**

With its consumer foods business generating ample cash, Pillsbury has been reinvesting it in restaurants, a related business offering more growth opportunities. In 1985 Pillsbury acquired Diversifoods Inc., the largest Burger King franchisee and operator of a national network of pizza and dinnerhouse restaurants, for $387.7 million. It was the largest acquisition in Pillsbury's history and strengthened Pillsbury's position as the nation's top multichain restaurateur. Pillsbury also continued to increase its exposure in frozen foods, a faster growing segment of the food processing industry.

American Express Co.	6	**travel agencies - merger consultant - data processing services**

The fourth most aggressive acquirer over a seven-year cumulative period (see page 91), American Express has been busy assembling a complete array of financial services and products. Through its 1981 acquisition of Shearson Loeb Rhoades and 1984 purchase of Lehman Bros. Kuhn Loeb, it has gained a major position in investment banking. It solidified its international base with the 1983 acquisition of the Swiss Trade Development Bank. With its travel related services operations producing a 29% increase in net income for 1984, American Express pursued acquisitions during 1985 that increased its travel network. As a worldwide network reinforcing the company's product line, travel has long provided a strategic competitive advantage.

The Crump Cos. Inc.	6	**insurance brokers/agents**

Increasing sophistication of insurance products have prompted companies with insurance agency operations, such as the Crump Cos., to expand their network of agents and market products more competitively.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Dun & Bradstreet Corp.	6	**telephone directory publishers - information software - specialty information services**

Intent on becoming the leader in serving the information needs of the business world, Dun & Bradstreet, an acquisition leader for the second consecutive year, has been implementing an aggressive expansion program. The company has divested itself of businesses not related to its main activities and, in turn, has been reinvesting the proceeds into high-growth acquisitions in the U.S. and Europe. Due to its aggressiveness, Dun & Bradstreet ranked tenth in the cumulative seven-year active buyer list. In the past year, Dun & Bradstreet restructured its Reuben H. Donnelly unit into two divisions: (1) Donnelly Directory, to manage its Yellow Pages relationships with phone companies, and (2) Donnelly Information Publishing, to handle the company's new push into independent directory publishing.

First Union Corp.	6	**bank holding companies**

First Union, parent of the third largest bank in North Carolina, quickly responded to the Supreme Court's sanction of regional interstate banking by making major strategic moves in the Carolinas, Georgia and Florida. First Union acquired Atlantic Bancorp, a bank holding in Florida, for $489.6 million, and Northwestern Financial Corp., a North Carolina bank holding, for $312.5 million. The total purchase price for the remaining four acquisitions was $366.8 million. With the completion of all six purchases, First Union's asset base would be well in excess of $19 billion, giving it a substantial presence in the healthy markets of the Southeast.

Hospital Corp. of America	6	**health maintenance organizations - life insurance - medical computer services & systems**

Hospital Corp. of America, the leading operator of proprietary hospitals in the U.S., has responded to the nationwide decline in hospital occupancy by broadening its health care service capabilities. The company has formed a new subsidiary to develop and acquire businesses that provide various services for physicians. It also has plans to create a variety of health insurance products and an HMO network.

Louisiana Bancshares Inc.	6	**banks**

Since the state of Louisiana has no legislation permitting interstate bank acquisitions, multi-bank holding Louisiana Bancshares expanded its banking activities within the state.

Rockwell International Corp.	6	**electric automation control systems - commercial printers & presses - electronic communications products - artificial vision systems - bar code scanners**

With its aerospace operations growing at a slower rate and declining profits in the auto group, Rockwell International is focusing on its electronics business. The company's major strategic purchase in 1985 was the $1.65 billion acquisition of Allen Bradley Co., a manufacturer of electronic automation control systems. The purchase will contribute more than one billion dollars in revenues.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
TRW Inc.	6	**knowledge-based specialty computer systems - switches & electromechanical assemblies - defense prdts. - tomographic scanners**

TRW, a $6 billion acquisition built conglomerate with operations in defense, auto and truck parts, industrial products, and energy, has initiated a restructuring program. It plans to sell low-profit divisions and implement company-wide cost-control measures. A third element of restructuring is the targeting of information services for expansion and acquisition.

Valley Bancorporation	6	**banks**

As a result of its recent acquisitions, Valley Bancorporation doubled its asset base to almost $2 billion, making it the fourth largest bank holding company in the state of Wisconsin. The state's legislature is expected to vote on interstate banking rules sometime in 1986.

Automatic Data Processing Inc.	5	**computer information services for banking, securities, and auto industries - onsite accounting services**

A leader in providing computerized accounting services, Automatic Data Processing intends to become more of an information company to maintain steady growth. ADP has targeted four markets for information services: securities brokers, car dealers, banking, and auto insurance. No stranger to acquisitions, ADP became a one billion dollar company largely through the purchase of other businesses.

Citicorp	5	**bank - savings & loan - trade representative - manager money markets**

Hampered by legal obstacles to interstate banking, Citicorp, the world's largest bank, has instead aggressively pursued new markets, mostly in Europe. During the last three years, Citicorp has acquired banks in Spain, Belgium and France; purchased two stock brokers and an insurance broker in London; and opened investment banking offices in 14 cities around Europe.

Citizens Fidelity Corp.	5	**banks**

Although the state of Kentucky allows regional interstate acquisitions, Citizens Fidelity chose to build on its strengths in the Louisville metropolitan market and acquired banks in the central region of Kentucky.

Computer Task Group Inc.	5	**specialty computer services & software systems**

Computer Task Group, a developer of information systems for large commercial organizations, aims to expand its market share in the custom software development industry, an industry segment with a 20% a year projected growth rate through the end of the decade. New offices and locations are being added both internally and through acquisitions in order to extend the company's national branch network of specialized services.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Continental Telecom Inc.	5	**computer repair, leasing & software services - telecommunications eqpt. - satellite communications**

With telephone operations bringing in two thirds of the company's revenues, Continental Telecom acquired businesses that would strengthen its technical capabilities and extend the range of services provided by this integrated telecommunications concern.

Cronus Industries Inc.	5	**election related services, eqpt. & supplies - heat transfer eqpt.**

Having entered the information services industry through its 1983 acquisition of Business Records Corp. (BRC), Cronus, an alumnus of the 1984 aggressive buyer roster, continued to expand BRC's capabilities to provide specialized data and proprietary services. Cronus also acquired businesses related to one of its other fields, heat transfer equipment.

Dean Foods Co.	5	**dairy processors - specialty cheese spreads - pickles**

Acquisitions have always been a significant factor of Dean Foods' long-term growth strategy. Over the past ten years, 50% of the company's sales and earnings gains have been driven by acquisitions. Its acquisition strategy focuses on small healthy dairies and specialty food processors, which are then made more profitable by Dean's installing upgraded equipment and improving productivity.

Eastman Kodak Co.	5	**image processing eqpt. - word processing systems & floppy discs - digital magnetic recording heads - digital detection systems for optical data storage**

Due to a patent infringement suit initiated and won by Polaroid Corp., Eastman Kodak exited the instant photography business in 1985. The company is now aggressively pursuing acquisitions, joint ventures and equity investments in state-of-the-art high technology areas.

Emhart Corp.	5	**fasteners - lawn prdts. & tools - electronic prdts. - packaging machinery**

With the footwear machinery and machine tool markets contracting, Emhart plans to concentrate on its three other business units: hardware, electronics, and fasteners. The company's strategy consists of reducing its exposure to cyclical capital goods markets and extending the product lines of its growth businesses.

First Railroad & Banking Co. of Georgia	5	**banks**

In contrast to the substantial level of interstate activity occurring in the state of Georgia and other Southeastern states, First Railroad limited its acquisition search to Georgia.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Gannett Inc.	5	**newspapers - magazine - radio stations - outdoor advertising**

After years of acquiring small-town newspapers, Gannett, the nation's largest and fastest growing newspaper chain, has recently begun moving into major markets. Concentrating on its national daily, "USA Today", for three years, the company has returned to the acquisition scene. In its quest to become this country's major media company, Gannett acquired Evening News Association, publisher of "The Detroit News", for $717.1 million, the largest acquisition in its history. Among the company's other 1985 acquisitions was the $255 million purchase of four newspapers, including the flagship paper, from Des Moines Register & Tribune Co.

Illinois Tool Works Inc.	5	**quality control prdts. - casters - anchoring & fastening systems - metal cutting fluids**

Emphasizing growth areas, Illinois Tool Works expanded its fastener, testing equipment and caster businesses.

Imperial Chemical Industries PLC	5	**specialty chemicals - pharmaceuticals - corn seed producer - integrated circuits**

Based in the United Kingdom, Imperial Chemical, the first of two foreign companies on this year's aggressive buyer list, is one of the world's largest chemical companies. In the midst of restructuring, Imperial has been investing in research/development activities and carefully selected acquisitions in areas such as pharmaceuticals and agrochemicals which are contributing an increasing proportion of the company's profits.

Kroger Co.	5	**drug store chain - convenience stores - supermarkets - wholesale warehouses**

Following a detailed review of its operations, Kroger, the nation's second largest retail food chain, scaled down its cost structure and eliminated underproductive stores. Emphasizing maximum return on assets, Kroger is paying close attention to its stores' ability to effectively serve their individual markets. The company's acquisition strategy targets businesses which will fill any gaps in its plan to become more cost competitive. With drugstore revenues rising 8.8% in 1984, Kroger expanded its drugstore operations with the $161.1 million purchase of Hook Drugs Inc.

MacMillan Inc.	5	**educational & specialty publishing - organizer of educational conferences in health-care field**

An entry on 1984's active buyer list, MacMillan's acquisition program continues to proceed, targeting those companies complementary to its existing core of three businesses: publishing, information services, and for-profit schools and educational services.

McKesson Corp.	5	**health, beauty-aid & drug distribution**

McKesson, an aggressive buyer for the third consecutive year, divested its dairy and food operations, and, in turn, through internal growth and acquisitions, has been reinvesting the proceeds in value-added distribution. Utilizing computer technology, McKesson's distribution companies are transformed from high-cost, labor-intensive operations to highly automated businesses providing a growing number of services to its customers at lower mark-ups. Already distributing a wide range of consumer products, McKesson's long-term goal is to become an increasingly important factor in the distribution of health care products to hospitals, drugstores and supermarkets.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Mellon National Corp.	5	**bank - financial data processing services - automated trust accounting & asset management services - mortgage banking**

Mellon National, a Pittsburgh-based bank holding, is being transformed from a conservative bank that lent money to large corporate customers to an institution that lends to smaller businesses and consumers. To gain these new markets, Mellon is expanding geographically by acquisition. The company's largest purchase in 1985 was the $119.2 million acquisition of Commonwealth National Financial Corp. of Pennsylvania. Also through acquisitions, the company expanded the capabilities of its Mellon Financial Services Cos. unit which provides commercial and consumer financial services, real estate financing and equity investment management services.

Merchants National Corp.	5	**banks**

Although the state of Indiana recently passed legislation permitting regional interstate acquisitions, Merchants National extended its banking activities within Indiana.

New York Times Co.	5	**newspapers - television stations**

Flushed with record profits, New York Times went on a buying spree, acquiring numerous media properties. The new acquisitions are expected to enhance the Times' position as a diversified communications company and to broaden the company's earnings base.

Saatchi & Saatchi Co.	5	**sales promotion services - direct marketing analyses - public relations - designer corporate identity programs**

Saatchi & Saatchi, the second of the two foreign companies on this year's active buyer roster, is the largest advertising agency in the United Kingdom and is quickly becoming one of the largest in the world. Having observed that multinational clients were creating a greater co-ordination of their global activities and, in turn, were demanding a similar global approach from their hired service organizations, Saatchi began aggressively establishing a more broadly world-wide based service group encompassing not only advertising, but also marketing research and related services, and consulting services.

Sears Roebuck & Co.	5	**real estate brokers - bank**

Sears Roebuck, the world's largest retailer of general merchandise, has diversified into financial services over the past few years. Sears Roebuck's ties to millions of American households is the foundation upon which the company created the nation's first consumer-oriented, full-service financial institution. The Sears Financial Network consists of Allstate Insurance, Dean Witter securities brokers, Coldwell Banker real estate services, and Sears Savings Bank. During 1985, Coldwell Banker accelerated its development of a national network for real estate services both through internal expansion and acquisitions.

Security Pacific Corp.	5	**banks - discount broker - clearing business for securities brokers**

An aggressive acquirer for the fourth consecutive year, Security Pacific continued its strategy of diversification into all areas of financial services, as well as geographic expansion. The company's largest acquisition in 1985 was the $465.7 million purchase of Arizona Bancwest Corp. Security also expanded beyond U.S. borders with bank acquisitions in Canada and West Germany.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Sierra Spring Water Co.	5	**bottled water - mfr. plastic bottles**

Sierra Spring, a producer, distributor and marketer of non-sparkling bottled water, implemented an aggressive program to increase its market share.

Southmark Corp.	5	**insurance holding - industrial uniform rental & sales - manager oil/gas funds - real estate development**

Although Southmark operates a variety of businesses, its acquisitions in the last five years all have one common characteristic: the companies acquired either have real estate holdings or funds available for investment in properties. Southmark's acquisition strategy transformed the company from a $119 million real estate investment trust into one of the largest real estate syndicators, with $2.2 billion in assets.

Sudbury Holdings Inc.	5	**welded steel - specialty ornamental prdts. - truck bodies & cranes - rubber prdts. - specialty steel processor**

Created in 1983 as a result of a corporate reorganization, Sudbury is now a diversified manufacturer of industrial products with current annual sales approaching $200 million. At the time of reorganization, the company had virtually no operations, but it did have $20 million in tax-loss carry forwards, which could be used to shelter the earnings of acquired companies. Sudbury's primary goal is to increase stockholders' equity over the long term by acquiring profitable operating companies and providing an environment which promotes their continued growth. The company's acquisition targets are family-owned manufacturing concerns whose strong managers choose to stay on and continue operating their businesses.

Sunrise Medical Inc.	5	**disposable medical prdts. - electric lift chairs - water powered bath tub seat lifts - physical therapy prdts.**

Having gone public in 1983, Sunrise has begun to acquire companies that complement and extend the product lines of its three main businesses: innovative home health care, physical rehabilitation products, and disposable health care products.

Talley Industries Inc.	5	**high voltage connectors - miniature precision potentiameters - instrument indicators - aerosol prdts. - bathroom accessories**

Talley Industries, a diversified manufacturer of technical products, timing devices and specialty commercial products, is currently making investments that will provide growth opportunities for its existing businesses. With its Government/Technical Group poised for growth, Talley acquired three companies that will extend this unit's capabilities to manufacture technical products and provide related services to government and industry. Because Talley's clock and timing operations have been affected by a drop in demand, the company chose to further expand its specialty commercial operations with two acquisitions.

Company	Number of Acquisitions	Product Lines and/or Businesses Acquired
Textron Inc.	5	**infrared detectors - hydraulic filter prdts. - bearings - auto wheel trims - consumer finance**

Following its $1.2 billion acquisition of AVCO Corp. in 1984, Textron commenced a major campaign to integrate all its businesses into three core areas: aerospace/defense, financial services and commerical products. Units whose future prospects were no longer consistent with Textron's corporate goals were divested, while complementary acquisitions were pursued.

Union Carbide Corp.	5	**motor oil prdts. - household prdts. - industrial gases & welding eqpt.**

Prior to GAF Corp.'s hostile bid for Union Carbide in late 1985, Union Carbide was primarily acquiring businesses for its profitable consumer products division. Its largest acquisition in 1985 was the $87 million purchase of STP Corp. from Beatrice Cos. However, to deter GAF's offer, Carbide incurred a substantial amount of debt in January, 1986 to buy back its own stock. The company also put its consumer division up for sale. GAF terminated its offer, and now Carbide is expected to divest additional assets.

A listing of the most aggressive acquirers over a seven-year cumulative period, companies which have acquired a total of 20 or more companies, appears in the subsequent figure. Some observations include the following:

* The list consists of 34 companies which together made a total of 878 acquisitions since 1979, representing 6% of all merger and acquisition activity over the last seven years.

* Among the 34, there were six bank holding companies, of which two are based in Texas... Allied Bancshares Corp. and Southwest Bancshares Corp. Note that these two holding companies did not make any acquisitions in the last two years, reflecting the depressed state of Texas banking. With loan losses and nonperforming assets at high levels, many Texas banks have been victims of oil patch loans. The other four bank holding companies are Security Pacific Corp. of California, Banc One Corp. of Ohio, New York City-based Chase Manhattan Corp., and Barnett Banks of Florida.

* Fourteen of the 34 companies were 1985's acquisition leaders (companies acquiring five or more businesses). Comments on these 14 companies appear in the preceding pages.

* Second-ranked National Medical Enterprises Inc. (NME) achieved solid progress in the health services industry due, in part, to its aggressive and successful acquisition strategies which focus on new and emerging health care fields such as capitated health plans and home health care. Responding to the structural realignment in U.S. health care, NME in the last two years continued to broaden its network of services in the rapidly growing home health care market and expand the geographic scope of its long term care operations.

* Third-ranked W. R. Grace & Co., a well-known conglomerate and no stranger to restructuring, diversified into the oil field services and retail industries in 1979 and 1980, and expanded into agricultural chemicals and oil and gas production in 1981 through 1983. Because some of these diversification efforts did not fare well, Grace management has decided to enter fast growing high-tech fields. The company's acquisitions in the last two years were concentrated in medical technology, plant genetics, and ceramics.

* General Electric Corp., the fifth-ranked acquisition leader, also ranked fourth in the seven-year aggressive divester roster (page 97). With heavy R&D investments and an accelerated rate of acquisitions and divestitures, GE has been shifting its businesses toward high-technology products and high growth services. The company's 1985 acquisition of RCA Corp. for $5.97 billion will esta[illegible] GE as the second largest defense contractor selling electronics gear.

* Ninth-ranked Centel Corp., one of the largest independent phone systems in the country, has been diversifying into cable television and the manufacturing/distribution of communications related products.

* Twelfth-ranked Allied Corp., previously known as Allied Chemical, adopted its present name in 1981 to reflect its transformation into a diversified high-technology concern through its aggressive acquisition strategy. Allied's well publicized 1982 acquisition of Bendix Corp. reduced Allied's dependence on oil and gas, made Allied much less capital-intensive, and further diversified Allied's operations into higher technology and higher value added products. In 1985, Allied made a major high-tech strategic move by acquiring Signal Cos. Inc., whose business comprises aerospace, electronics and instrumentation products. The $4.5 billion acquisition created Allied-Signal, the 16th largest U.S. industrial corporation.

* Alco Standard, ranking 13th, has been active in the acquisition market for many years, acquiring businesses in manufacturing, mining and distribution. In the last three years, however, Alco has decided to focus on distribution, with special emphasis on the paper and health products areas, which have the higher returns and growth potential.

- Allegheny Beverage Corp., the 14th acquisition leader, aims to become the largest, most profitable service company in the country. Originally in the business of supplying carbonated beverages, Allegheny now ranks among the largest diversified service companies, providing foodservice and vending, coin-operated laundry and building maintenance services. The company's transformation took place in 1981 when Allegheny completed its acquisition of The Macke Co. and has since continued to increase its market share by acquiring 24 companies.

- Pengo Industries Inc., ranking 17th, was the most aggressive acquirer in 1981. Mired in the depressed oilfield service market, Pengo has been operating deeply in the red since 1982.

- Twenty-sixth-ranked Thomas Tilling Ltd. is the only foreign corporation on the list. Having aggressively pursued acquisitions of American companies, this British conglomerate was acquired by BTR Ltd., another diversified U.K. company, in 1983.

- Three companies on the list are no longer publicly traded companies. American Hospital Supply Corp. (ranked 11th) was acquired in 1985 by Baxter Travenol Laboratories Inc. for $3.7 billion. Metromedia Inc. (ranked 20th) went private in 1983 through a leveraged management buyout valued at $1.5 billion. Beatrice Cos. (ranked 27th) also went private. In the largest leveraged buyout transaction in history, Kohlberg, Kravis, Roberts & Co. took Beatrice private for $5.36 billion.

ACQUISITION LEADERS

1979 — 1985

Company	Number of Acquisitions							Seven-Year Total
	1979	1980	1981	1982	1983	1984	1985	
Merrill Lynch & Co.	1	7	9	8	6	4	14	49
National Medical Enterprises	2	2	10	5	4	13	3	39
W. R. Grace & Co.	8	10	5	2	3	4	4	36
American Express Co.	3	4	5	7	5	4	6	34
General Electric Corp.	4	6	8	3	6	4	3	34
Security Pacific Corp.	1	1	3	8	7	8	5	33
Allied Bancshares Corp.	6	5	10	4	7	–	–	32
ConAgra Inc.	2	3	4	3	3	8	8	31
Centel Corp.	3	5	10	4	–	3	3	28
Dun & Bradstreet Corp.	3	2	–	1	4	12	6	28
American Hospital Supply Corp.	1	4	3	8	5	2	3	26
Allied Corp.	1	7	8	2	3	2	3	26
Alco Standard Corp.	2	2	9	–	6	4	2	25
Allegheny Beverage Corp.	–	1	–	–	6	15	3	25
Banc One Corp.	1	3	6	4	3	–	8	25
Automatic Data Processing Inc.	4	4	6	1	3	1	5	24
Pengo Industries Inc.	4	7	13	–	–	–	–	24
Gannett Co. Inc.	6	2	4	4	–	2	5	23
General Signal Corp.	2	5	4	1	6	2	3	23
Metromedia Inc.	1	2	2	9	8	–	1	23
Minnesota Mining & Mfg. Co.	5	1	4	6	1	3	3	23
Chase Manhattan Corp.	1	–	–	2	3	3	13	22
Southwest Bancshares Corp.	3	2	10	4	3	–	–	22
Barnett Banks of Florida	2	3	2	4	4	4	2	21
McGraw Hill Inc.	5	1	–	3	2	7	3	21
Thomas Tilling Ltd.	6	7	6	2	–	–	–	21
Beatrice Cos.	3	–	4	7	3	3	–	20
Beverly Enterprises	1	3	4	2	4	3	3	20
Continental Telecom Inc.	2	2	3	4	3	1	5	20
Dart & Kraft Inc.	–	–	2	2	2	6	8	20
Doyle Dane Bernbach	4	4	1	1	6	–	4	20
Emhart Corp.	3	–	2	1	6	3	5	20
McKesson Corp.	2	1	4	2	–	6	5	20
Ryder Systems Inc.	–	–	2	2	3	4	9	20
Totals	92	106	163	116	125	131	145	878

Source: W.T. Grimm & Co.

Figure 20.

DIVESTITURES

Divestitures, sales of a product line, subsidiary or division, totalled 1,218 in 1985, the highest number recorded since the 1,236 divestments in 1975 and an increase of 35% over 900 in 1984. Disenchantment with the conglomerate theory, changing economic conditions, a widespread fear of corporate raiders, and the surge in mega-mergers and leveraged buyouts have all played a significant role in stimulating divestiture activity during the 1980s. But, for whatever reasons management decides to sell off assets, today's divestitures have one underlying theme: The parts are worth more than the whole. Committed to maximizing return to shareholders, corporate managers are narrowing their business focus and, therefore, shedding unrelated and/or unprofitable assets.

DIVESTITURES
1965—1985

Year	Number	Percent of all Transactions	Year	Number	Percent of all Transactions
1965	191	9%	1975	1,236	54%
1966	264	11%	1976	1,204	53%
1967	328	11%	1977	1,002	45%
1968	557	12%	1978	820	39%
1969	801	13%	1979	752	35%
1970	1,401	27%	1980	666	35%
1971	1,920	42%	1981	830	35%
1972	1,770	37%	1982	875	37%
1973	1,557	39%	1983	932	37%
1974	1,331	47%	1984	900	36%
			1985	1,218	41%

Source: W. T. Grimm & Co.

Figure 21.

Historical Note

Divestitures as a percentage of all transactions accelerated in the aftermath of the conglomerate era of the late '60s and peaked in 1975-1976 as the recession of 1974-75 compelled many companies to raise capital by selling certain business segments.

Dissatisfaction with earlier diversification efforts and a recessionary economic climate were once again responsible for an increase in divestment activity in the last five years. The diverse holdings that were supposed to help companies balance gains and losses were of little value during the last recession (1981-1982), when the deepest downturn since the Great Depression undermined sales in virtually every market which took a severe toll on corporate profits. Consequently, U.S. corporations reevaluated both the composition of their business mix and the profitability of individual units. Armed with a renewed emphasis on efficiency, tighter control and product quality, companies proceeded to divest slow-growing, cash-draining and unrelated business units and, in turn, to refocus on businesses they know best.

For example, in the sixth largest divestiture of 1985, Gulf & Western Industries Inc. sold its consumer and industrial products group to Wickes Cos. for $1 billion. The group consists of such disparate operations as Simmons mattresses, Kayser-Roth apparel and hosiery, APS automotive distributors, and other industrial properties. Soon after the death in 1983 of Charles G. Bluhdorn, Gulf & Western's founder and well-known conglomerate builder, Martin S. Davis, the new chairman, commenced a restructuring of the company. A variety of manufacturing businesses were divested so that G&W's operations would comprise three main areas: entertainment, publishing, and financial services. Following its unfortunate diversification move into merchandising, Beneficial Corp. in 1985 sold Western Auto Supply Co., a distributor of auto parts and the last of the company's merchandising operations, to Wesray Capital Corp. for $300 million. The company plans to return to the business it knows best, middle-market consumer lending.

DIVESTITURES
TOTAL DOLLAR VALUE PAID
1981—1985

	Total Dollar Value Paid (millions of dollars)	Base*	Number Divestitures Valued at $1,000MM or More	Average Purchase Price
1981	$16,695.6	366	-	$45.6
1982	16,050.3	317	-	50.6
1983	24,173.9	376	2	64.3
1984	29,379.0	401	3	73.3
1985	45,825.6	525	6	87.3

*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

Figure 22.

The total dollar value paid for divestitures surged 174% from $16.7 billion in 1981 to $45.8 billion in 1985, while the average purchase price increased 91% to $87.3 million from 1981's $45.6 million. These dollar gains are attributable to a growing number of divisional sales valued at $100 million or more. In 1985, $100 million-plus divestitures accounted for 23% of all unit sales, more than double the 10% in 1981.

VALUE OF DIVESTITURES
1979—1985

	Number (Percent of Transactions Disclosing Price)						
Price Paid Value	1979	1980	1981	1982	1983	1984	1985
$ 5 million or less	112 (35%)	73 (28%)	106 (29%)	82 (26%)	108 (29%)	69 (17%)	104 (20%)
$ 5.1 - 10.0 million	61 (19%)	56 (21%)	66 (18%)	60 (19%)	55 (15%)	54 (13%)	69 (13%)
$10.1 - 15.0 million	30 (9%)	24 (9%)	39 (11%)	32 (10%)	30 (8%)	32 (8%)	50 (10%)
$15.1 - 25.0 million	37 (12%)	23 (9%)	38 (10%)	30 (9%)	34 (9%)	47 (12%)	47 (9%)
$25.1 - 50.0 million	43 (13%)	36 (14%)	51 (14%)	37 (12%)	57 (15%)	65 (16%)	70 (13%)
$50.1 - 99.9 million	19 (6%)	22 (8%)	29 (8%)	35 (11%)	39 (10%)	51 (13%)	65 (12%)
$100 million or more	20 (6%)	30 (11%)	37 (10%)	41 (13%)	53 (14%)	83 (21%)	120 (23%)
Base	322	264	366	317	376	401	525

Base: Number of transactions disclosing a price.

Source: W. T. Grimm & Co.

Figure 23.

The increase in larger sized divestments reflects the determination of U.S. corporate managers to streamline operations and strengthen balance sheets. Whether they are redeploying assets to support core businesses or shifting operations to serve growth markets, corporations are no longer reluctant to sell long-established subsidiaries or divest sizable businesses acquired only a few years earlier, with some managers even acknowledging former acquisition blunders. United Technologies Corp. acquired Mostek Corp., a leading producer of commodity memory chips, for $364.8 million in 1980, shortly before the collapse of the semiconductor industry. It has been said that Mostek, in addition to the industry's depressed state, also confronted other difficulties such as an inattentive parent company whose management lacked understanding of the semiconductor business. In 1985 United Technologies sold Mostek for $71 million to Thomson S.A. of France.

Large-sized divestitures along with overall divestment activity have also been triggered by an increase in corporate raider attacks. Rather than provide an opportunity for these aggressive takeover artists, corporate managers are opting to sell off parts of their companies and distribute the proceeds to the shareholders or reinvest in the companies' basic businesses. Because the stock market rewards restructured companies with higher stock prices, potential target companies are thus shielded from corporate raiders, who are attracted to low stock valuations and high asset values.

The rash of multibillion-dollar acquisitions and sizable leveraged buyouts over the last four years have also contributed to the increase in $100 million-plus divestitures. Because many firms took on heavy debt loads to finance their acquisitions, they are selling assets to raise cash for debt repayment. In addition to paying down acquisition-related debt, these same firms are utilizing divestitures to rationalize the newly acquired entities.

Soon after completing its 1984 acquisition of St. Regis Corp. for $1.8 billion, Champion International Corp. began to sell off assets. One of the most aggressive divesters of 1985 (see figure 24 on page 96), Champion sold ten units, the largest of which was the $457 million divestiture of most of its packaging business to Stone Container Corp.

A listing of the 50 largest divestitures of 1985 begins on page 101.

Figure 24 lists 1985's most aggressive divesters, 30 companies which divested five or more units in one year. Heading the list with ten divestitures each are five companies: Beatrice Cos., Champion International Corp., Minstar Inc., Reichhold Chemicals Inc., and Textron Inc.

Before Beatrice Cos. acquired Esmark Inc. in 1984, it had embarked on a major restructuring program entailing the divestiture of 50 companies with combined sales of $900 million within two years. Beatrice planned to divest most of its cyclical and capital-intensive units and to realign its domestic profit centers into a much smaller number of business units. These units were being organized along marketing lines aimed at achieving efficiencies in cost, productivity and distribution. The $2.5 billion acquisition of Esmark however, strained Beatrice's finances and further taxed management in its efforts to not only continue the restructuring program, but to also integrate Esmark's assorted businesses. Beatrice financed part of the acquisition by selling off selected pieces of Esmark and completing the sale of Beatrice units. Divestments of both Beatrice and Esmark businesses continued into 1985. As a result of this ongoing restructuring, Beatrice was the most aggressive divester over a seven-year period (see page 97), with a total of 48 divestitures. In late 1985, Beatrice was the target of a leveraged buyout by a group of investors led by Kohlberg Kravis, Roberts & Co. With Kohlberg's $5.36 billion buyout offer a success, Beatrice's new management will certainly continue to sell off assets in order to lessen the company's highly leveraged financial condition.

Champion International, having acquired St. Regis Corp. in 1984 for $1.8 billion, divested units to reduce its debt load and to streamline the newly merged businesses. Other aggressive divesters in comparable situations included Minstar Inc., Textron Inc., Chevron Corp., Mobil Corp., Texaco Inc., and Monsanto Co. Minstar and Monsanto made sizable acquisitions in 1985 and quickly shed assets, while Textron and the three oil companies completed multibillion dollar purchases in 1984 which were among the largest acquisitions in U.S. corporate history.

In its bid to move from the commodity to the higher-margin specialty side of the chemical industry, Reichhold Chemicals has been divesting unprofitable or low-growth product lines and, in turn, pursuing selected specialty acquisitions.

Capital Cities Communications, having agreed to acquire American Broadcasting Cos. for $3.5 billion, sold a number of its and ABC's broadcasting properties in order to comply with FCC regulations governing station ownership.

CBS, on the other hand, was the target of a hostile $5.2 billion offer by Turner Broadcasting Co. As part of its defensive strategy, CBS took on $1 billion in long-term debt to repurchase almost a quarter of the company's shares outstanding. Heavily leveraged after the recapitalization, CBS began selling off units for debt repayment.

In the last three years, Litton has been executing its program to sharpen the focus of its operations through divestitures and selected acquisitions. Litton's goal is to be a preeminent supplier of high tech products and services in each of its three businesses: advanced electronics and defense, geophysical exploration and service, and industrial automation.

Sara Lee Corp., the seventh most aggressive divester over a seven-year period (see page 97), began a reorganization in 1975 emphasizing major businesses with strong leadership positions in attractive markets. Focusing on three core businesses - specialty meats, frozen baked goods, foodservice distribution - Sara Lee divested unrelated units and made selected acquisitions. Previously known as Consolidated Foods, Sara Lee changed its name in 1985, reflecting the company's reorganization.

In default on nearly $400 million of bank debt and with losses mounting throughout the year, Control Data faced a severe cash crisis, triggering a frenzied effort to sell off assets to raise money.

IC Industries acquired Pneumo Corp. in 1984 for $560.2 million. Primarily interested in Pneumo's aircraft and aerospace business, IC divested that company's food and drug retail operations along with some other underperforming IC assets. Known for prunning all its major acquisitions, IC is among the most aggressive divesters for a seven-year cumulative period.

ITT Corp., a product of the conglomerate merger wave of the 1960s, has refocused the company's business on only two areas, insurance and telecommunications. It has been divesting all of its other diverse holdings in the last few years. ITT was the second most aggressive divester for the past seven years.

AGGRESSIVE DIVESTERS

1985

Selling Parent Company	Number of Divestitures
Beatrice Cos.	10
Champion International Corp.	10
Minstar Inc.	10
Reichhold Chemicals Inc.	10
Textron Inc.	10
Capital Cities Communications Inc.	9
CBS Inc.	9
Litton Industries Inc.	8
Sara Lee Corp.	8
Chevron Corp.	7
Control Data Corp.	7
IC Industries Inc.	7
ITT Corp.	7
Mobil Corp.	7
Purex Industries Inc.	7
Allegheny International Inc.	6
Armco Inc.	6
Ashland Oil Co.	6
Texaco Inc.	6
Xerox Corp.	6
Allied-Signal Inc.	5
Atlantic Richfield Co.	5
Chromalloy American Corp.	5
Des Moines Register & Tribune Co.	5
Gannett Inc.	5
Mohawk Data Sciences Corp.	5
Monsanto Co.	5
Times Mirror Co.	5
Union Carbide Corp.	5
United Technologies Corp.	5

Source: W. T. Grimm & Co.

Figure 24.

The most aggressive divesters over a seven-year cumulative period are listed in Figure 25. They are companies which divested 13 or more units over the last seven years. Some observations include the following:

* The list contains 34 companies which together divested a total of 609 businesses, or 10% of all divestitures for the seven-year span.

* Eleven of the 34 were acquirers in multi-billion dollar transactions: Beatrice Cos.,Allied Corp., General Electric Corp., DuPont Co., RCA Corp., Texaco Inc., Sun Co., Textron Inc., Champion International Corp., Mobil Corp., Xerox Corp.

* Seven other companies, while not involved in billion dollar deals, did make at least one substantial acquisition in the last seven years which in most cases represented that company's largest acquisition: Allegheny International Inc., Sara Lee Corp., Westinghouse Electric Corp., IC Industries Inc., Esmark Inc., McGraw-Edison Co., United Technologies Corp.

* Five aggressive divesters experienced earnings losses in at least two of the last seven years: Armco Inc., Wickes Cos., Charter Co., International Harvester Co., Itel Corp.

AGGRESSIVE DIVESTERS
1979—1985

Selling Parent Company	Number of Divestitures 1979	1980	1981	1982	1983	1984	1985	Seven-Year Total
Beatrice Cos.	6	1	7	3	9	12	10	48
ITT Corp.	4	8	6	2	2	5	7	34
Allied Corp.	5	2	3	5	8	5	2	30
General Electric Corp.	2	-	1	4	12	3	3	25
Allegheny International Inc.	2	2	1	7	4	2	6	24
Chromalloy American Corp.	3	2	-	3	7	2	5	22
Sara Lee Corp.	4	3	2	-	3	1	8	21
Union Carbide Corp.	3	5	3	-	1	4	5	21
DuPont Co.	2	-	-	8	6	3	-	19
Westinghouse Electric Corp.	1	-	3	4	4	5	2	19
Ashland Oil Co.	2	1	3	1	2	2	6	17
CBS Inc.	1	3	-	2	2	-	9	17
Litton Industries Inc.	-	-	1	-	3	5	8	17
Metromedia Inc.	2	2	2	5	2	2	2	17
RCA Corp.	-	7	3	3	2	-	2	17
Armco Inc.	-	2	3	-	3	2	6	16
IC Industries Inc.	1	1	2	3	2	-	7	16
Wickes Cos.	1	1	3	4	4	2	1	16
Texaco Inc.	-	-	1	-	-	8	6	15
Atlantic Richfield Co.	1	2	1	-	3	2	5	14
Sun Co.	-	2	5	3	2	2	-	14
Textron Inc.	-	-	4	-	-	-	10	14
Bankers Trust Co.	5	-	4	2	-	1	1	13
Champion International Corp.	-	1	-	-	-	2	10	13
Charter Co.	-	1	4	3	1	2	2	13
Esmark Inc.	2	7	-	-	1	3	-	13
International Harvester Co.	-	-	3	6	2	1	1	13
Itel Corp.	6	7	-	-	-	-	-	13
McGraw-Edison Co.	2	5	-	2	-	3	1	13
Mobil Corp.	-	-	1	1	1	3	7	13
Reichhold Chemicals Inc.	-	-	1	-	2	-	10	13
Storer Communications Inc.	2	1	2	-	-	5	3	13
United Technologies Corp.	2	1	1	3	1	-	5	13
Xerox Corp.	-	-	2	-	4	1	6	13
Totals	59	67	72	74	93	88	156	609

Source: W. T. Grimm & Co.

Figure 25.

Divestiture totals for each of the 50 industry classifications are provided below.

DIVESTITURES
INDUSTRY CLASSIFICATIONS
1981—1985

Selling Industry Category	Number of Divestitures					Five Year Cumulative Total
	1981	1982	1983	1984	1985	
Agricultural Production	10	2	7	10	6	35
Food Processing	37	27	27	29	36	156
Beverages	12	14	5	8	8	47
Apparel	12	9	6	6	10	43
Textiles	12	7	6	6	8	39
Timber & Forest Products	4	2	3	2	1	12
Paper	5	10	6	10	15	46
Packaging & Containers	12	10	20	16	15	73
Furniture	3	4	8	5	2	22
Building Products & Materials	14	16	11	10	14	65
Household Goods	13	16	14	17	15	75
Printing & Publishing	22	31	28	24	43	148
Chemicals, Paints & Coatings	38	29	37	43	53	200
Drugs, Medical Supplies & Equipment	24	24	20	19	42	129
Toiletries & Cosmetics	—	6	6	5	3	20
Plastics & Rubber	11	19	23	19	10	82
Stone, Clay & Glass	16	8	16	17	10	67
Primary Metal Processing	18	15	28	30	26	117
Fabricated Metal Products	13	17	35	25	31	121
Industrial & Farm Machinery & Equipment	38	62	55	47	65	267
Construction, Mining & Oil Field Equipment	6	8	8	7	5	34
Valves, Pumps & Hydraulics	14	5	12	7	16	54
Autos & Trucks	5	2	1	1	3	12
Automotive Products & Accessories	13	20	8	11	14	66
Electrical Equipment	19	28	31	22	29	129
Office Equipment & Computer Hardware	14	11	30	17	19	91
Electronics	21	24	24	18	23	110
Aerospace, Aircraft & Defense	6	8	7	4	11	36
Instruments & Photographic Equipment	21	19	27	25	33	125
Toys & Recreational Products	18	16	5	9	10	58
Miscellaneous Manufacturing	13	14	19	16	19	81
Oil & Gas	26	21	33	37	40	157
Mining & Minerals	15	15	9	6	11	56
Transportation	13	18	12	17	13	73
Communications	7	14	4	5	17	47
Broadcasting	23	32	44	59	75	233
Electrical, Gas, Water & Sanitary Services	1	3	14	3	8	29
Wholesale & Distribution	35	35	30	37	69	206
Retail	47	35	42	45	61	230
Banking & Finance	37	61	45	45	67	255
Insurance	33	29	25	32	39	158
Real Estate	7	6	8	5	12	38
Brokerage, Investment & Management Consulting Services	8	11	14	25	25	83
Computer Software, Supplies & Services	13	22	26	26	56	143
Construction Contractors & Engineering Services	15	11	9	9	12	56
Energy Services	15	4	8	6	10	43
Health Services	13	14	10	11	19	67
Leisure & Entertainment	23	20	15	15	29	102
Miscellaneous Services	34	40	51	30	59	214
Conglomerate	1	1	—	2	1	5
Total Divestitures	830	875	932	900	1,218	4,755

Source: W. T. Grimm & Co.

Divestitures accounted for more than half of merger and acquisition activity in each of the industry classifications listed in Figure 26. A high concentration of divestments is typical for Broadcasting, because the FCC ownership rule prohibits any one company from owning a specified number of AM and FM radio, and television stations. Broadcasters, therefore, in order to complete acquisitions, are required to divest stations to comply with the FCC rule. Adding to the increase in Broadcasting divestitures are cable television operators selling off unprofitable urban franchises. More paper units are being divested as forest products companies choose to specialize in fewer types of paper to become more cost effective. Due to the depressed state of the mining, energy, metals and machinery industries, companies no longer retained units in these areas, resulting in high divestment rates for the following industry classifications: Construction, Mining & Oil Field Equipment; Mining & Minerals; Energy Services; Primary Metal Processing; Industrial & Farm Machinery; Fabricated Metal Products. Striving mainly to concentrate on the generally more lucrative specialty chemical market, chemical companies have been divesting businesses serving the bulk commodity market, which has suffered from overcapacity in the past few years. As plastic containers continue to capture an increasing market share of the Packaging & Containers industry, producers of paper bags, cans and glass containers are faced with excess capacity, resulting in asset sales. Because a number of Household Goods companies are owned by conglomerates, they are being sold to fulfill the conglomerates' restructuring programs. To minimize their reliance on the cyclical construction market, companies in the Stone, Clay & Glass industry are shrinking their operations and moving into such unrelated areas as financial services and health care.

INDUSTRIES WITH MOST DIVESTITURES
1985

Seller Industry Classification	Total Transactions	Divestitures	Divestitures as a % of all Activity
Broadcasting	93	75	81%
Paper	20	15	75%
Construction, Mining & Oil Field Machinery & Equipment	7	5	71%
Mining & Minerals	16	11	69%
Energy Services	16	10	63%
Chemicals, Paints & Coatings	86	53	62%
Primary Metal Processing	43	26	60%
Industrial & Farm Machinery & Equipment	108	65	60%
Insurance	67	39	58%
Valves, Pumps & Hydraulics	28	16	57%
Packaging & Containers	27	15	56%
Household Goods	28	15	54%
Stone, Clay & Glass	19	10	53%
Fabricated Metal Products	60	31	52%
Brokerage, Investment & Management Consulting Services	49	25	51%

Source: W. T. Grimm & Co.

Figure 26.

Minority Interest Purchases

When recording divestitures, the W. T. Grimm & Co. Research Department also includes the purchase of a minority interest in the shares outstanding of a company's comon stock, i.e. the acquisition of 10-50% of the company's common shares outstanding. W. T. Grimm & Co. monitors only those minority equity purchases where the acquiring company agrees to buy a specified number of common shares outstanding directly from the selling company or where the acquiring company initiates a tender offer for a selected number of the target company's shares outstanding. **Open market and third party minority purchases are not included.** Figure 27 provides the total number of minority interest purchases for the last six years. The totals are divided among publicly traded selling companies, privately held selling companies, and foreign-based selling companies.

Minority Interest Purchases
1980-1985

	Public Sellers	Private Sellers	Foreign Sellers	Totals
1980	9	23	15	47
1981	26	23	14	63
1982	12	28	15	55
1983	6	28	15	49
1984	10	36	16	62
1985	26	39	17	82

Source: W. T. Grimm & Co.

Figure 27.

THE 50 LARGEST DIVESTITURES

1985

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
1. **Olympia & York Developments Ltd.—Canada** [real estate developers]	**Chevron Corp.** (its 60.2% interest in Gulf Canada Ltd.) [oil/gas]	**$2,042.3**
2. **Private Group** [led by Kohlberg, Kravis, Roberts and Union Texas officers]	**Allied Corp.** (50% of Union Texas Petroleum) [oil/gas]	**1,700.0**
3. **Group of five companies** [Time Inc., Tele-Communications Inc., Comcast Corp., Daniels & Associates, Century Southwest Communications Corp.]	**Westinghouse Electric Corp.** (Group W Cable) [U.S. 3rd largest cable TV system]	**1,600.0**
4. **Royal Dutch/Shell Group—Netherlands** [oil/gas expl'n. & prod'n.]	**Occidental Petroleum Corp.** (Colombia-Cities Service Petroleum Corp.) [owns 50% of Occidental's oil interests in Colombia]	**1,035.0**
5. **BASF-AG—W. Germany** [chemicals, plastics, consumer prdts.]	**United Technologies Corp.** (Inmont Corp.) [inks & auto finishes]	**1,000.0**
6. **Wickes Cos.** [lumber & bldg. materials, retails furniture]	**Gulf & Western Industries, Inc.** (Consumer & Industrial Products Group) [apparel, home furnishings, auto parts]	**1,000.0**
7. **Taft Broadcasting Co.** [radio/TV stations, cable TV]	**Gulf Broadcast Co.** (broadcasting properties)	**760.0**
8. **UAL, Inc.** [holding co.: air carrier & hotels]	**Pan Am Corp.** (Pacific Division) [routes from U.S. to Asia & Australia]	**750.0**
9. **Broken Hill Proprietary Co.—Australia** [mining & steelmaking]	**Monsanto Co.** (Monsanto Oil Co.) [oil/gas prod'n. & expl'n.]	**745.0**
10. **Rorer Group, Inc.** [pharmaceuticals & medical devices]	**Pantry Pride, Inc.** (ethical drug division of Revlon) [prescription drugs]	**690.0**
11. **International Minerals & Chemicals Corp.** [chemicals/fertilizers, ind'l. prdts.]	**Avon Products, Inc.** (Mallinckrodt Division) [specialty chemicals, medical prdts., flavors & fragrances]	**675.0**
12. **Sedgwick PLC—United Kingdom** [insurance broker]	**Transamerica Corp.** (Fred S. James & Co.) [insurance broker]	**660.0**
13. **Private Group** [led by Rupert Murdoch]	**Metromedia, Inc.** (6 television stations)	**650.0**
14. **Private Group** [led by Donaldson, Lufkin & Jenrette & includes mgmt. of Household Merchandising] Purchase price was $645 million plus 10% of the new acquiring company.	**Household International, Inc.** (Household Merchandising, Inc.) [supermarkets & variety stores]	**645.0**
15. **UAL, Inc.** [airline, hotels]	**RCA Corp.** (Hertz Corp.) [rents/leases cars & trucks]	**587.5**

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
16. Tribune Co. [newspapers; TV/radio stations]	**Golden West Television Holding Co.** (KTLA-TV) [television station in Los Angeles]	**$ 510.0**
17. MCI Communications Corp. [U.S. 2nd largest supplier of long distance phone services]	**International Business Machines Corp.** (Satellite Business Systems) [communications carrier]	**459.4**
18. Stone Container Corp. [paperboard & packaging prdts.]	**Champion International Corp.** (majority of packaging business) [container board, corrugated containers, specialty bags]	**457.0**
19. Hearst Corp. [publishing & broadcasting]	**Metromedia, Inc.** (WCVB-TV) [an ABC-affiliate TV station]	**450.0**
20. Warner Communications, Inc. [motion pictures, records, other entertainment]	**American Express Co.** (its 50% interest in Warner- Amex Cable Communications Inc.) [U.S. 6th largest cable TV operator]	**450.0**
21. Private Group [led by Gibbons, Green, van Amerongen & includes Foodmaker mgmt.]	**Ralston Purina Co.** (Foodmaker, Inc.) [owns/franchises "Jack in the Box" restaurants]	**450.0**
22. Tenneco, Inc. [oil/gas, packaging, farm mchy., life insurance]	**Goodyear Tire & Rubber Co.** (Louisiana Intrastate Gas, Mid Louisiana Gas Co., Tuscaloosa Pipeline Co.) [natural gas pipelines]	**446.7**
23. Atlantic Petroleum Co.—Netherlands [newly formed by Dutch oil trader & businessman, John Duess]	**Atlantic Richfield Co.** (Philadelphia refinery & 576 service stations in PA & NY)	**420.0**
24. Owens-Corning Fiberglass Corp. [glass fiber insulation, asphalt, wood fiberboard]	**Armco, Inc.** (Aerospace & Strategic Materials Group)	**415.0**
25. Chrysler Corp. [U.S. 3rd largest auto maker]	**BankAmerica Corp.** (Finance America Corp. & BA Financial Services) [consumer finance]	**405.0**
26. Beecham Group PLC—United Kingdom [consumer prdts. & pharmaceuticals]	**Pantry Pride, Inc.** (Norcliff Thayer and Reheis units of Revlon) ["Tums" antacids & specialty chemicals]	**395.0**
27. VMS Realty Inc. [sells & manages real estate properties]	**Holiday Corp.** (26 hotels)	**390.0**
28. Viacom International, Inc. [cable TV, radio/TV stations]	**Warner Communications, Inc.** (its 50% interest in Showtime/The Movie Channel Inc.) [pay television]	**387.6**
29. Private Group [led by senior mgmt. of units & includes Employee Stock Ownership Plan]	**Ogden Corp.** (Avondale Shipyards, Inc. and Ind'l. Production operations) [shipbuilding, custom metal components machine tools, heat transfer eqpt.]	**375.0**
30. Forstmann Little & Co. [investment co. specializing in leveraged buyouts]	**ITT Corp.** (12 industrial companies) [cable/wire, construction prdts., pumps, lighting fixtures, vacuum capacitors, resins]	**370.0**

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
31. **Washington Post Co.** [newspaper/magazine publisher, TV stations]	**Capital Cities Communications, Inc.** (cable TV operations) [54 systems with approx. 300,000 subscribers]	$ 350.0
32. **Ford Motor Co.** [U.S. 2nd largest auto maker]	**Sperry Corp.** (New Holland Division) [farm eqpt.]	330.0
33. **Wesray Capital Corp.** [investment co. specializing in leveraged buyouts]	**Beneficial Corp.** (Western Auto Supply Co.) [distributes automotive parts]	300.0
34. **L.B. Foster Co.** [oil field tubular prdts., rail & track accessories]	**Kidde, Inc.** (5 units) [locks, hinges, metal doors, security & cash handling eqpt. for banks]	300.0
35. **Procter & Gamble Co.** [soaps, household cleaners, food prdts., toiletries]	**Monsanto Co.** (consumer prdts. division of G.D. Searle) [over-the-counter drugs]	300.0
36. **Rapid-American Corp.** [apparel, retailer]	**Household International, Inc.** (T.G.&Y. Stores Co.) [operates 700 variety & discount stores]	300.0
37. **Greyhound Corp.** [transportation, consumer prdts., food services]	**Purex Industries, Inc.** (consumer prdts. division) [household cleaners & food prdts.]	264.0
38. **Limited, Inc.** [women's apparel stores]	**Rapid American Corp.** (Lerner Shops) [chain of women's specialty apparel shops]	260.0
39. **Gannett Co., Inc.** [newspaper publishing, TV/radio stations, advertising]	**Des Moines Register & Tribune Co.** (4 newspapers, including flagship paper, Des Moines Register with daily cir. of 240,000)	255.0
40. **Metropolitan Life Insurance Co.** [U.S. 2nd largest insurance co.]	**Transworld Corp.** (Century 21 Real Estate Corp.) [realtor]	251.0
41. **Utilicorp United, Inc.** [gas/electric utility]	**InterNorth, Inc.** (Peoples Natural Gas Co.) [gas utility]	250.0
42. **Fieldcrest Mills, Inc.** [household textile prdts.]	**Cannon Mills, Inc.** (towel, sheet & bedding accessory, kitchen prdts. & rug businesses)	250.0
43. **Scripps Howard Broadcasting Co.** [TV/radio stations, cable TV]	**Capital Cities Communications, Inc.** (WXYZ-TV and WFTS-TV) [TV stations in Detroit and Tampa, FL, respectively]	246.0
44. **Transco Energy Co.** [gas pipelines, oil/gas expl'n.]	**Kaneb Services, Inc.** (coal operations in eastern KY and TN)	238.0
45. **Jones Intercable, Inc.** [cable TV]	**Tribune Co.** (9 cable TV systems serving approximately 306,296 subscribers)	237.5
46. **Envirodyne Industries, Inc.** [plastic flatware, drinking straws]	**Union Carbide Corp.** (film-packaging division)	230.0
47. **National Distillers & Chemical Corp.** [chemicals, brass, liquor]	**Reliance Group Holding, Inc.** (Pargas, Inc.) [propane gas distributor]	225.0

Source: W.T. Grimm & Co.

Buyer [business and/or product line]	Selling Parent Company (unit sold) [business and/or product line]	Approximate Price Paid *(millions)*
48. **W.A. Krueger Co. and Ringier AG (Switzerland)** [printing & publishing]	**Mobil Corp.** (W.F. Hall Printing Co.) [printers of paperback books]	$ 225.0
49. **Tyco Laboratories, Inc.** [fire protection eqpt., electrical prdts., electronics]	**ITT Corp.** (ITT Grinnell Corp.) [valves & other fire protection eqpt.]	225.0
50. **Westinghouse Electric Corp.** [electrical eqpt., defense prdts., broadcasting]	**GenCorp Inc.** (KHJ-TV) [non-network TV station in Los Angeles]	220.0

Source: W.T. Grimm & Co.

Unit Management Buyouts*

Unit sales to management in 1985 rose to 132, up 8% from 122 unit management buyouts in 1984. The 132 buyouts are almost three times the 49 recorded in 1978, signifying the development of a major trend in merger and acquisition activity during the 1980s. As more corporations restructured their operations and sold off assets, more managers yielded to their entrepreneurial spirits and acquired their divisions. Realizing that the unit will be operated by experienced managers and that the division's customers will continue to be served, parent companies were not hesitant to sell to insiders, with some even willing to provide financing for the buyout.

UNIT MANAGEMENT BUYOUTS

Year	Divestitures	Management Buyouts	Percent of Total Divestitures
1978	820	49	6%
1979	752	59	8%
1980	666	47	7%
1981	830	83	10%
1982	875	115	13%
1983	932	139	15%
1984	900	122	14%
1985	1,218	132	11%

Source: W. T. Grimm & Co.

Figure 28.

The 1985 total dollar value paid for unit management buyouts increased 31% to $5 billion from 1984's $3.8 billion. As Figure 29 indicates, larger deals have been taking place. There were ten unit buyouts priced at $100 million or more during 1985, compared with nine in 1984, eight in 1983, and five in 1982. There were none in 1978 and 1979. The largest 1985 unit management buyout and also the largest in history was Allied Corp.'s $1.7 billion divestiture of 50% of Union Texas Petroleum to a management group led by Kohlberg, Kravis, Roberts & Co.

UNIT MANAGEMENT BUYOUTS
TOTAL DOLLAR VALUE PAID
1978—1985

Year	Management Buyouts	Number Disclosing Price	Tabulation of Prices (millions)	Average Price (millions)
1978	49	20	$ 75.2	$ 3.8
1979	59	14	46.7	3.3
1980	47	15	363.3	24.2
1981	83	30	484.1	16.1
1982	115	41	1,361.1	33.2
1983	139	51	2,499.4	49.0
1984	122	42	3,833.4	91.3
1985	132	50	5,005.4	100.1

Source: W. T. Grimm & Co.

Figure 29.

**The W. T. Grimm & Co. Research Department began monitoring unit management buyouts in 1978. The statistics discussed here represent only those instances where it has been publicly announced that an executive of the parent company or members of the division's management were included among the purchasing group. Therefore, any trend depicted here is understated.*

Because most, if not all, unit management buyouts are leveraged, their gain in popularity should be viewed within the context of the overall increase in leveraged buyouts. A discussion of leveraged buyouts appears on page 117.

TWENTY LARGEST UNIT MANAGEMENT BUYOUTS
Completed/Pending
1985

	Selling Parent Company	Unit Sold to Management Group [business and/or product line]	Purchase Price *(millions)*
1.	**Allied Corp.**	**Union Texas Petroleum - 50%** [oil/gas]	$1,700.0
2.	**Household International Inc.**	**Household Merchandising Inc.** [supermarkets & variety stores]	645.0
	Purchase price was $645 million plus 10% of the new acquiring company.		
3.	**Ralston Purina Co.**	**Foodmaker Inc.** [owns/franchises "Jack in the Box" restaurants]	450.0
4.	**Ogden Corp.**	**Avondale Shipyards Inc. and Industrial Production operations** [shipbuilding, custom metal components, machine tools, heat transfer eqpt.]	375.0
5.	**Times Mirror Co.**	**Times Mirror Microwave Communications Inc.** [leases microwave transmission capacity to telephone cos.]	175.0
6.	**Mercantile House Holdings PLC—United Kingdom**	**Oppenheimer Holdings Inc.** [securities broker & investment banker]	150.0
7.	**Colt Industries Inc.**	**Crucible Materials and Crusteel Ltd.** [specialty steel, tubing; distributor stainless steel fittings]	135.0
8.	**Olin Corp.**	**Ecusta operations** [cigarette paper & fine printed paper]	125.0
8.	**IC Industries Inc.**	**P&C Food Markets** [grocery retailer/wholesaler]	125.0
10.	**Dunlop Holdings PLC—United Kingdom**	**Dunlop Tire & Rubber Corp.** [U.S. subsidiary mfg. tires]	118.0
11.	**Allied-Signal Inc.**	**C&D Power Systems** [batteries & chargers]	70.0
12.	**American Continental Corp.**	**Continental Homes Inc.** [home construction]	65.0
13.	**Castle & Cooke Inc.**	**Bumble Bee Seafoods** [tuna processing & specialty fish operations]	60.0
13.	**Cyclops Corp.**	**Steel/construction business** [steel & construction prdts.]	60.0
15.	**Houston Natural Gas Corp.**	**Zeigler Coal Co.** [coal mining]	55.0
15.	**American Stores Co.**	**White Hen Pantry** [convenience food stores]	55.0
15.	**Times Mirror Co.**	**Art/Graphic Products Group** [artists' materials, brushes, colors, other graphic aids]	55.0
18.	**Beatrice Cos.**	**Allison Mfg. Co., Swingster/Dunbrooke, Velva Sheen Mfg.** [apparel]	54.0
19.	**Penn Central Corp.**	**Rotherm-North America, Flexible Technologies, Harris Tube** [boilers, nonmetallic duct/hose prdts.]	52.0
20.	**American Hospital Supply Corp.**	**American Haemonetics** [blood-processing systems]	45.0

Source: W. T. Grimm & Co.

Figure 30.

TENDER OFFERS*

There were 84 tender offers for publicly traded companies in 1985, compared with 79 in 1984. Contested tender offers in 1985 totalled 32 (38% of all tender offers), the highest hostile tender count ever recorded by W.T. Grimm & Co., which began monitoring tender offers in 1974. There were 18 contested offers accounting for 23% of all tender offers in 1984. The movement toward hostile bids has been enhanced by the widespread availability of financing, particularly higher yielding junk bonds, and the increasing respectability of hostile suitors. With loyal shareholder bases a thing of the past, hostile bidders have no difficulty in attracting the attention of a target company's stockholders, most of which are institutional investors who are obliged to seek the highest return for their investments.

The previous record for hostile tenders occurred in 1982, when they totalled 29 and accounted for 43% of all tender offer activity. It was in 1982 that the infamous Bendix-Martin Marietta-United Technologies-Allied corporate battle took place. Bendix Corp. had made an offer for Martin Marietta Corp. which vehemently opposed the bid and, in defense, commenced a counter-offer for Bendix. Soon after, United Technologies also made an offer for Bendix, which contested both offers and was finally acquired by Allied Corp., the so-called white knight. The widespread business reaction to this four-way clash was extremely unfavorable. The stigma and wasteful costs associated with such spectacles temporarily tempered hostile attempts and the number of contested tenders dropped during 1983.

Figure 31 provides a twelve-year statistical summary of tender offer activity, consisting of the number of tender offer attempts, cancellations, and completed/pending tenders, both uncontested and contested. A contested offer is classified as one where the suitor's initial offer was met with rejection by the target company. A listing of 1985's contested offers begins on page 112.

**W. T. Grimm & Co. utilizes the formal definition of tender offer which is an acquisition technique governed by the Securities & Exchange Commission as dictated by the "Williams Act." The acquirer/suitor files its offer with the SEC, which requires the offer to be open for a minimum of 20 days. The offer to purchase a specified number of shares outstanding of the target company is made directly to the shareholders who have a minimum of 20 days to tender their shares. W. T. Grimm & Co. records tender offers seeking 10% or more of a target company's shares outstanding. Self tender offers are not monitored.*

TENDER OFFERS FOR PUBLICLY TRADED TARGET COMPANIES
1974—1985

		Attempts	Cancellations	Completed/Pending	Success Rate
1974 -	Uncontested	64 (84%)	13	51	80%
	Contested	12 (16%)	4	8	67%
	Total	76	17	59	78%
1975 -	Uncontested	38 (66%)	9	29	76%
	Contested	20 (34%)	6	14	70%
	Total	58	15	43	74%
1976 -	Uncontested	52 (74%)	9	43	83%
	Contested	18 (26%)	14	4	22%
	Total	70	23	47	67%
1977 -	Uncontested	59 (86%)	5	54	92%
	Contested	10 (14%)	8	2	20%
	Total	69	13	56	81%
1978 -	Uncontested	63 (70%)	4	59	94%
	Contested	27 (30%)	14	13	48%
	Total	90	18	72	80%
1979 -	Uncontested	80 (75%)	10	70	88%
	Contested	26 (25%)	18	8	31%
	Total	106	28	78	74%
1980 -	Uncontested	41 (77%)	5	36	88%
	Contested	12 (23%)	9	3	25%
	Total	53	14	39	74%
1981 -	Uncontested	47 (63%)	1	46	98%
	Contested	28 (37%)	15	13	46%
	Total	75	16	59	79%
1982 -	Uncontested	39 (57%)	5	34	87%
	Contested	29 (43%)	12	17	59%
	Total	68	17	51	75%
1983 -	Uncontested	26 (70%)	1	25	96%
	Contested	11 (30%)	4	7	64%
	Total	37	5	32	86%
1984 -	Uncontested	61 (77%)	8	53	87%
	Contested	18 (23%)	8	10	56%
	Total	79	16	63	80%
1985 -	Uncontested	52 (62%)	3	49	94%
	Contested	32 (38%)	18	14	44%
	Total	84	21	63	75%
Twelve Year -	Uncontested	622 (72%)	73	549	88%
	Contested	243 (28%)	130	113	47%
Cumulative	Total	865	203	662	77%

Source: W. T. Grimm & Co.

(Tender offers tracked since 1974.)

Figure 31.

Historical Note

Hostile raids as an established acquisition strategy originated in 1974 when Morgan Stanley & Co. represented International Nickel Co. of Canada in its hostile and successful offer for ESB, Inc. The fact that

Morgan Stanley, a reputable investment banking firm, was engaged in such an action rendered the hostile takeover an acceptable practice. The prevalence of takeover battles resulted in a specialized industry consisting of investment bankers, attorneys, proxy solicitors and public relations professionals, all of whom were offering expertise on offensive and defensive tactics.

In 1974 and 1975, hostile suitors were successful in acquiring control of their targets in 67-70% of the cases. The success rate of contested tender offers, however, averaged only 32% in the next six years, reflecting the emergence of an established defense tactic, the pursuit of a white knight. A white knight is a corporate suitor that the target company feels is more compatible with its own business philosophy and corporate objectives, i.e. a friendly acquirer. Searching for white knights became a popular defense technique, especially since bids by white knights were at least 21% higher than that of the hostile suitor during 1976 through 1981. (See Figure 32.)

The success rate of hostile tender offers in the last four years has averaged 56%, much higher than the 32% average for the 1976-1981 period. The recessionary environment during 1982 produced a shortage of white knights. Many companies were not willing to take on the costs associated with a rescue plan. Besides the cost of the acquisition and the possible expenditures for a bidding war, there are additional costs which can be incurred after the takeover. A white knight has very little time to draw up a proper strategic plan. Once the hostile offer begins, it remains open for a minimum of 20 days. During such a brief period, organizational factors may be overlooked, resulting in unexpected problems when integrating the new business.

White knights in 1985, however, were not in short supply. In view of the high incidence of corporate restructurings, companies seeking major strategic acquisitions were easier to locate. This increase in white knights contributed to 1985's lower success rate among hostile bidders. The success rate of contested tender offers in 1985 was 44%, down from 56% in 1984. (See Figure 31.)

UNSUCCESSFUL CONTESTED OFFERS
Fate of Target Company
1976—1985

	Unsuccessful Contested Offers	Target Remained Independent	Target Acquired by White Knight	Average % White Knight Paid Over Initial Contested Offer
1976	14	6	8	25%
1977	8	3	5	31%
1978	14	8	6	21%
1979	18	9	9	24%
1980	9	3	6	33%
1981	15	6	9	33%
1982	12	10	2	11%
1983	4	1	3	18%
1984	8	6	2	9%
1985	18	9	9	24%

Source: W. T. Grimm & Co.

Figure 32.

The higher success rate of contested tender offers in the last four years can also be attributed to the planning and preparation the hostile suitor now undertakes before executing the bid. Today's hostile bids are more carefully structured, timed, and most important, aggressively priced. Hostile suitors are making sure that their initial bids are high enough to ensure success. For instance in nine of the 14 contested offers of 1985, the hostile suitor raised the initial bid per share an average 12% higher. In 1980, the hostile suitor's initial offer was increased by an average of 22%. (See Figure 33.)

CONTESTED & SWEETENED OFFERS
1976-1985

	Number of Successful* Contested Offers	Number Offers Where Hostile Suitor Raised Initial Bid	Average % Raised
1976	4	1	38%
1977	2	1	100%
1978	13	11	10%
1979	8	5	8%
1980	3	2	22%
1981	13	6	17%
1982	17	7	16%
1983	7	4	16%
1984	10	8	9%
1985	14	9	12%

*The term successful refers to both fully and partially successful offers, i.e. some shares are tendered and the suitor does not cancel his offer.

Source: W. T. Grimm & Co.

Figure 33.

In addition to hostile tender offers, targeted companies in the last two to three years have also been confronted with corporate greenmail where an aggressive investor buys a sizable block of a company's stock and then threatens a takeover. To remove the threat the company usually buys out the intruder at a premium, or seeks a friendly merger partner. The most celebrated case was 1984's protracted battle between Mesa Petroleum Co. Chairman T. Boone Pickens, Jr. and Gulf Corp., which culminated in Chevron Corp.'s $13.2 billion acquisition of Gulf. The Pickens-Gulf battle and its outcome was the biggest spur to corporate managers introducing antitakeover amendments to their company charters and bylaws. The sharp rise in takeover battles during 1981 and 1982, along with the Bendix-Marietta battle had already prompted companies to adopt various defense measures against surprise attacks. But the fact that a major corporation the size of Gulf was forced into being acquired triggered a rash of antitakeover proposals.

Among the most popular takeover deterrents is the fair price provision. Fair price amendments mandate uniform purchase terms in the case of a takeover. Their purpose is to assure that all shareholders receive the same payment for their stock, thereby preventing a two-tier tender offer. Under the two-tier offer, a corporate bidder offers to buy usually for cash, a certain number of shares at a premium price. Then, after gaining control, the buyer pays the remaining shareholders a lower price, often in the form of a package of securities.

Additional defense measures include supermajority requirements and the classified, or staggered board. Supermajority provisions require a controlling shareholder to obtain an 80-95% favorable vote to clear a merger. Under a staggered board, directors' terms are staggered on a three-year cycle, instead of being reelected annually. This would prevent a hostile bidder, even if it acquires a majority of the shares, from ousting all the board members at once.

Other takeover deterrents, also known as shark repellents, include stock watches, and scorched-earth or crown-jewel strategies. Stock watches refer to an increased monitoring of trading in a company's own shares to detect any irregular accumulations. The scorched-earth tactic, the most drastic form of defense, entails the partial or complete liquidation of the target company. Most target managers opt for a milder version through the sale of highly prized units, the crown jewels.

A controversial defensive tactic that has been gaining popularity is the poison pill. Introduced during the summer of 1983, when Brown-Forman Distillers launched an offer for Lenox Inc., the poison pill calls for the target company to issue securities convertible into the common stock of whatever company owned it, thereby threatening dilution of the suitor's stock. Critics of the poison pill claim that the tactic entrenches management and denies shareholders the right to consider a tender offer. Institutional investors typically vote against poison-pill proposals, with some even being challenged in court. In January, 1985 a Delaware court upheld the right of Household International Inc. to issue poison pill warrants. A dissident Household director appealed the ruling to the Delaware Supreme Court, which in November, 1985 upheld the validity of a poison pill strategy. The court decision triggered a number of companies to adopt this defense technique.

The effectiveness of the poison pill as a defense strategy, however, was clearly put to the test in early 1985 when Sir James Goldsmith made a hostile bid for Crown Zellerbach Corp. The pill adopted by Crown stipulated that an acquirer who purchased 20% of Crown's common stock, or tendered for 30%, gave Crown holders the right to buy $200 worth of stock of the merged concern for $100. This right was exercisable only after the bidder bought 100% of the company. The pill's architects expected that no one would trigger the rights since they would considerably dilute the holdings of the merged entity.

Goldsmith responded by withdrawing his offer and settling for a controlling interest in Crown rather than 100%. Realizing that Goldsmith planned to stop just over 50%, Crown shareholders began to quickly sell their holdings. By accumulating shares on the open market, Goldsmith was able to gain a 52% interest in Crown for less than his original tender offer.

In addition to the Delaware Supreme Court upholding the poison pill strategy, there were two other major court decisions in 1985 affecting takeover battles. In the case of T. Boone Pickens and Unocal Corp., the Delaware Supreme Court ruled in favor of Unocal's utilization of a discriminatory tender offer that excluded a hostile bidder. Pickens, in April, 1985, iniated a two-tier tender offer for Unocal, offering $54 a share in cash for 37% of Unocal's shares outstanding and $54 per share in debt securities for the remaining interest. Rejecting the offer as grossly inadequate, Unocal implemented a partial buyback of its own shares for debt securities valued at $72 each. The buyback excluded Pickens' holdings. Ruling in favor of Unocal, the Delaware court indicated that corporate directors have leeway under the "business judgment rule" to discriminate against minority shareholders if they think it's in the best interests of the majority. The court argued that Unocal was justified in its actions because it faced a "grossly inadequate, coercive, two-tier, front-end-loaded tender offer". The upshot of this Delaware decision was to provide management with greater power to resist abusive takeovers.

In the second major court decision of 1985, a Delaware court ruled in favor of the hostile bidder by outlawing the use of the "lock-up" device when it violated the best interests of common stockholders. Faced with a hostile offer from Pantry Pride Inc., Revlon Inc. agreed to a lower-priced friendly buyout by Forstmann, Little & Co. In order to lock up its favored deal, Revlon granted Forstmann the exclusive right to purchase two of Revlon's highly prized businesses for what the court determined was a bargain price. The court indicated "the best interests of shareholders are served through encouraged competition". Hence, in this instance, the court limited the freedom of a corporate board to favor one bidder over another through illegal lock-up provisions.

Finally, in the third major court decision, the Federal Appeals Court in New York also ruled in favor of the hostile bidder, Hanson Trust PLC. Having initiated a tender offer for SCM Corp., Hanson withdrew the offer after SCM favored a management buyout led by Merrill Lynch. Hanson, however, proceeded to purchase shares on the open market. It was able to acquire 25% of SCM's shares primarily through private transactions with professional arbitrageurs. The court ruled that Hanson's rapid accumulation of shares, in the wake of a discontinued tender offer, did not constitute a new tender as defined by SEC guidelines. The court argued that purchasing large blocks of stock from professional investors in privately-negotiated deals without paying unusual premiums did not amount to a so-called "creeping tender offer" which previously had been thought prohibited by the Williams Act.

All three court rulings are expected to significantly alter the tactics employed by both takeover artists and incumbent management. The essence of these judicial opinions is the affirmation of shareholder interests.

Even the court's approval of poison pills is viewed as tentative and limited to specific situations. The court stressed that the pill was a pre-emptive measure aimed at what a corporate board "perceived to be the threat of coercive two-tier tender offers."

CONTESTED TENDER OFFERS
1985

I. Successful Contested Offers

Hostile Suitor	Target Company	Purchase Price (millions of dollars)
Coastal Corp.	American Natural Resources Co.	$2,445.5
Pantry Pride, Inc.	Revlon, Inc.	1,638.7
Cooper Industries, Inc.	McGraw-Edison Co.	1,076.6*
Maxxam Group, Inc.	Pacific Lumber Co.	828.6
Burlington Northern, Inc.	Southland Royalty Co.	694.4*
Minstar, Inc.	AMF, Inc.	577.4
Hanson Trust PLC-United Kingdom	SCM Corp.	503.5
Sterling Software, Inc.	Informatics General Corp.	143.9
Itel Corp.	Great Lakes International, Inc.	128.9
Equity Group Holdings	Easco Corp.	107.8*
APL Ltd. Partnership	Van Dusen Air, Inc.	51.1
Energas Co.	Trans Louisiana Gas Co.	28.6
Hugh H. Culverhouse	Florida Commercial Banks, Inc.	5.2*
Lexicon Corp.	Scope, Inc.	2.1*

*Suitors did not increase offer.

Source: W. T. Grimm & Co.

II. Unsuccessful Contested Offers
White Knights to the Rescue

Hostile Suitor	Target Company	Hostile Suitor's Offer (millions)	White Knight	White Knight's Offer (millions)
Freeport McMoran, Inc.	MidCon Corp.	$2,593.8	Occidental Petroleum Corp.	$3,085.6
Unilever PLC-United Kingdom	Richardson-Vicks, Inc.	1,261.1	Procter & Gamble Co.	1,611.4
Carl Icahn	Uniroyal, Inc.	324.0	Uniroyal Management	747.3
Paul Bilzerian	Cluett, Peabody & Co.	290.8	West Point-Pepperell, Inc.	330.9
Texas Air Corp.	Frontier Holdings, Inc.	185.6	People Express Airlines	279.2
Nortek, Inc.	Unidynamics Corp.	131.0	Crane Co.	190.0
Rite Aid Corp.	Hook Drugs, Inc.	134.9	Kroger Co.	161.1
Inland Steel Co.	J.M. Tull Industries, Inc.	96.7	Bethlehem Steel Corp.	112.0
Eller Enterprises, Inc.	Friona Industries, Inc.	37.9	CHS Holdings, Inc.	41.7

Source: W. T. Grimm & Co.

III. Unsuccessful Contested Offers Targets Remained Independent

Hostile Suitor	Target Company	Offer's Value (millions of dollars)
T. Boone Pickens	**Unocal Corp.**	**$8,104.8**
Unocal initiated a partial buyback of its own shares which excluded Pickens' holdings. Delaware Supreme Court upheld Unocal's discriminatory offer. Unocal agreed to a net buyback of 32% of Pickens' Unocal stock.		
Carl Icahn	**Phillips Petroleum Co.**	**8,056.4**
Phillips reached a pact with Icahn, ending his bid, and paying him $25 million for costs incurred. Phillips also implemented a recapitalization plan.		
Turner Broadcasting Co.	**CBS, Inc.**	**5,200.7**
Turner withdrew and instead agreed to acquire MGM/UA Entertainment. CBS also implemented a recapitalization plan.		
GAF Corp.	**Union Carbide Corp.**	**4,574.0**
Union Carbide initiated a recapitalization plan which included the sale of its lucrative consumer products group.		
Sir James Goldsmith	**Crown Zellerbach Corp.**	**807.5**
Crown adopted a poison pill defense strategy which was overcome by Goldsmith's accumulating Crown shares on the open market.		
Avalon Corp.	**Maynard Oil Co.**	**39.3**
Maynard repurchased its shares held by Avalon and agreed to sell its 52% interest in Maynard Energy of Canada to Avalon.		
Sun Equities Corp.	**Patrick Industries, Inc.**	**21.4**
Patrick repurchased its shares held by Sun.		
Sol Goldman	**J. W. Mays, Inc.**	**19.9**
Goldman was enjoined from proceeding with his offer due to an incomplete disclosure in regulatory filings.		
Newell Cos., Inc.	**Wm. E. Wright Co.**	**6.1**
Wright rejected offer; Newell did not pursue.		

Source: W. T. Grimm & Co.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES*

Completed or pending acquisitions of publicly traded companies in 1985 totalled 336, up 59% from 211 in 1984. Public takeovers with price tags of $100 million or more rose to 134 from 95, while those valued at $1 billion or more increased to 28 from 15 in 1984. Due to the increase in large takeovers, the 1985 dollar value paid for public companies rose 41% to $116.7 billion from $82.7 billion in 1984.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES
1974—1985

Year	Total Transactions	Transactions Valued at $100MM or More	Transactions Valued at $1,000MM or More	Total Dollar Value Paid (millions of dollars)	Base*
1974	68	#	—	#	
1975	130	#	1	#	
1976	163	#	—	#	
1977	193	#	—	#	
1978	260	61	1	#	
1979	248	57	2	#	
1980	173	54	3	#	
1981	168	62	10	$ 56,569.4	156
1982	180	65	6	31,501.8	176
1983	190	73	8	39,471.4	181
1984	211	95	15	82,731.0	204
1985	336	134	28	116,675.5	321

#Data not collected that year.
*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

Figure 34.

Historical Note

There was a noticeable increase in the number of acquisitions in the 1974-1978 period, with public takeovers rising from 68 in 1974 to a peak of 260 in 1978. Companies in the 1970s were confronted with rising inflation, higher capital costs, lower valuation of assets by the marketplace, declining growth rates, and increasing doubts about the exact direction of the U.S. economy. As a result, management priorities were to lessen risks, strengthen earnings, and improve cash flow. Acquisition strategies became primary tools for achieving these objectives. With the depressed level of equity prices, purchasing existing undervalued assets rather than building anew at inflated replacement costs clearly made acquisitions the more attractive strategy.

This growth in public takeovers is closely related to three other trends of the 1970s previously identified: the increase in sizable acquisitions, the increase in tender offfers, and the prevalence of cash as a payment medium. Because publicly traded companies tend to be larger than privately held firms, the growth in public takeovers paralleled the increase in larger-sized transactions, resulting in higher dollar totals. Due to the generally distant relationship between managers and stockholders in public companies, there were more tender offers aimed directly at shareholders. Unlike the owners of privately held companies who are burdened with estate taxes, shareholders of public corporations are not as preoccupied with questions of tax liability as private owners. Therefore, payment for acquisitions of public companies was usually in the form of cash. During periods characterized by bear stock markets, cash payments were further utilized.

**Purchase of a controlling interest or more in a publicly traded company.*

Despite the historic rise in stock prices during 1983, the stock market continued to value assets of companies at a discount from replacement value, indicating that acquisitions of additional capacity continue to be cheaper than building from scratch. For this reason, acquisitions of publicly traded companies increased in each of the last four years. The lower level of public takeover activity in 1980 and 1981 coincided with the dramatic climb and the extreme volatile movement in interest rates. Corporations were concentrating their efforts on adjusting to an economic climate characterized by high real interest rates.

Figure 35 provides the annual price paid distribution of public takeovers since 1978. Note that much of 1985's increase in public takeover activity occurred among transactions with price tags of $25 million or less. Such smaller transactions in 1985 totalled 104, more than double the 40 recorded in 1984. The higher rate of acquisitions among small to mid-sized companies signals a widespread endorsement by corporate managers to include acquisitions in their long-range planning strategies. Payment trends for the last eight years are presented in Figure 36. As indicated earlier, since shareholders of publicly traded companies are not as concerned with tax liabilities as are owners of privately owned companies, payment for their shares is usually in the form of cash.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES
DOLLAR VALUE
1978—1985

	Number (Percent of Transactions Disclosing Price)							
Price Paid Value	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**
$10 million or less	47-(19%)	47-(20%)	23-(14%)	20-(13%)	22-(12%)	16-(9%)	14-(7%)	58-(18%)
$10.1-25.0 million	52-(21%)	57-(23%)	40-(23%)	28-(18%)	25-(14%)	22-(12%)	26-(13%)	46-(14%)
$25.1-50.0 million	40-(16%)	40-(17%)	30-(17%)	22-(14%)	31-(18%)	40-(22%)	36-(17%)	43-(13%)
$50.1-99.9 million	50-(20%)	38-(16%)	23-(14%)	24-(15%)	33-(19%)	30-(17%)	32-(16%)	41-(13%)
$100 million or more	61-(24%)	57-(24%)	54-(32%)	62-(40%)	65-(37%)	73-(40%)	96-(47%)	133-(42%)
Base*	250	239	170	156	176	181	204	321

*Base: The number of transactions disclosing a purchase price.

Source: W. T. Grimm & Co.

Figure 35.

ACQUISITIONS OF PUBLICLY TRADED COMPANIES
MEDIUM OF PAYMENT
1978—1985

	1978	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**
Cash	141—(57%)	160—(67%)	94—(55%)	89—(56%)	98—(55%)	94—(51%)	134—(65%)	182—(57%)
Stock	56—(23%)	34—(14%)	44—(25%)	38—(24%)	34—(19%)	52—(28%)	34—(16%)	78—(25%)
Combination	47—(19%)	45—(19%)	31—(18%)	31—(19%)	44—(25%)	37—(20%)	35—(17%)	56—(18%)
Debt	4—(1%)	1—(—)	3—(2%)	2—(1%)	1—(1%)	1—(1%)	4—(2%)	1—(—)
Base*	248	240	172	160	177	184	207	317

*Base: The number of transactions disclosing method of payment.

Source: W. T. Grimm & Co.

Figure 36.

Going Private/Leveraged Buyouts

The term going private refers to an acquisition of a publicly traded company by a private investment group or an individual, i.e. the buyer is not an operating business. The W. T. Grimm & Co. Research Department began tracking such transactions in 1979. The following statistics show an ever increasing trend toward going private transactions.

GOING PRIVATE
1979—1985

Year	Total Public Takeovers	Going Private	Percent of Public Takeovers
1979	248	16	6.4%
1980	173	13	7.5%
1981	168	17	10.1%
1982	180	31	17.2%
1983	190	36	19.0%
1984	211	57	27.0%
1985	336	76	22.6%

Source: W. T. Grimm & Co.

Figure 37.

Reasons for taking a company private vary. A number of companies are attracted to the various advantages in going private which include the elimination of additional expenses associated with publicly traded companies such as shareholder documents, shareholder meetings, shareholder dividends, and complying with numerous SEC filing requirements. Most important, the removal of quarterly earnings reports enables management to operate the business in its best long-term interests instead of opting for short-term strategies which boost the price of the stock. In view of the increase in hostile takeovers and raider/greenmail tactics, going private transactions are also increasingly utilized by target companies as the ultimate defensive move. For instance, having been the target of a hostile offer by Carl Icahn in 1985, Uniroyal Inc. management opted to take the company private for $747.3 million.

The major motivating force behind going private transactions has been the enormous popularity of the leveraged buyout. Like the majority of unit management buyouts, most, if not all, of the going private transactions are also leveraged buyouts, i.e. transactions where the buyers put up only a small part of the purchase price and borrow the rest. The buying group or equity participants almost always consists of the company's management along with a variety of other investors that can include insurance companies, pension funds, and sometimes even the specialized buyout concerns that arrange the deal.

The availability of investors has been instrumental in stimulating the unit management buyout/going private/leveraged buyout trend. The potential equity participants are, naturally, attracted to the idea of investing in an existing business with a proven track record, rather than incurring more risk with new business start-ups. More important, investors have been lured by high rates of return. Leveraged deals, if successful, can become quite profitable, yielding investment returns as high as 15 to one. The company going private or the unit being divested must generate enough cash flow to service the debt and at the same time provide operating funds. The company must have a low debt-to-equity ratio and a secure position in its market with stable earnings and low capital expenditures. The low debt allows the buyers to incur large new borrowings to cover the purchase price. Stable earnings insure a solid cash flow while low capital expenditures free up cash flow for debt service. The company can also write up its assets' value to reflect the purchase price, making it possible to charge more depreciation. This tax advantage shelters the earnings which result in an even higher cash flow. Because the company is highly leveraged, managers also have a greater incentive to increase productivity and cost efficiency in order to maximize cash flow. As the cash flow increases, the debt is quickly paid down and the equity position rises dramatically.

Risks, however, do exist. An economic slump or an increase in interest rates could squeeze cash flow, thereby hindering or even destroying the firm's ability to repay loans.

Of the 76 going private deals in 1985, 28 were valued at $100 million or more. Six had price tags of over $1 billion and included the three largest going private transactions in history: (1) Beatrice Cos. went private for $5.4 billion, (2) R. H. Macy & Co. for $3.5 billion, and (3) Storer Communications Inc. for $1.6 billion. In 1984 there were no billion-dollar-plus going private deals. As a result of the increase in the size of going private transactions, the 1985 total dollar value paid for these deals more than doubled 1984's total, rising from $10.8 billion to $24.1 billion. The 1985 dollar aggregate is almost 38 times the dollar total tabulated in 1979, signifying a considerable growth and a broad proliferation of participants in the leveraged buyout marketplace.

GOING PRIVATE
AGGREGATE DOLLARS PAID
1979—1985

Year	Total Dollar Value Paid (millions)	Number of $100 Million-Plus Deals	Average Purchase Price (millions)	Median Purchase Price (millions)
1979	$ 636.0	1	$ 39.8	$ 7.9
1980	967.4	3	74.4	25.3
1981	2,338.5	4	137.6	41.1
1982	2,836.7	11	91.5	29.6
1983	7,145.4	14	198.5	77.8
1984	10,805.9	26	415.6	66.9
1985	24,139.8	28	317.6	72.6

Source: W. T. Grimm & Co.

Figure 38.

The increase in unit management buyouts/going private deals, particularly the larger ones, is being propelled by a widespread availability of funds, especially the commercial banks' willingness to provide financing for these leveraged deals. Many large banks now have buyout departments to generate loan demand. Since traditional corporate credit demands are weak, banks found it necessary to seek other high-yielding loans. Consequently, banks have been aggressively participating in the more lucrative area of leveraged buyout financing, where there are spreads of up to 5% over prime.

In addition to the commercial banks' participation, firms specializing in leveraged buyouts, such as Kohlberg, Kravis & Roberts, and Forstmann Little, organized a substantial number of funds for the purpose of investing in the equity portion of the deals. Together, the leveraged buyout specialists are able to raise billions of dollars in equity financing, compared with hundreds of millions of dollars just a few years earlier.

The existence of such pooled funds has made it possible for buyout groups to utilize tender offers, which enable leveraged buyout bidders to compete more effectively with corporate acquirers and/or hostile suitors. Since a tender offer only takes a minimum of 20 days to close, there is far less risk of being outbid. Without the use of a tender offer, a leveraged buyout can take at least six months to close, providing ample time for an outside bidder to top the private buying group's purchase price. Kohlberg, Kravis, Roberts & Co. was the first leveraged buyout firm to use a tender offer as part of the going private transaction. It utilized the tender offer buyout with Malone & Hyde Inc., which went private in 1984 for a total of $548.3 million.

This recent newfound ability to competitively bid for companies has resulted in the willingness of leveraged buyout groups and fund operators to initiate possible contested takeovers. In late 1985 Kohlberg, Kravis

organized and led a group of investors, which included the former Esmark Inc. chairman, Donald P. Kelly, to make an offer for Beatrice Cos. Beatrice management rejected the group's initial offer, but finally accepted a sweetened offer of $5.4 billion.

The competition among leveraged buyout groups and corporate acquirers for target companies has driven up the prices paid in going private transactions. The 1985 average price earnings ratio paid in such deals rose to 17.2 from 14.2 in 1984.

GOING PRIVATE
VALUATION OF TRANSACTIONS
1979—1985

	Price/Earnings Ratio Paid		Premium Paid Over Market Price	
Year	Average	Median	Average	Median
1979	10.0X	8.1X	106.4%	65.6%
1980	10.9	10.7	49.2	36.2
1981	11.5	9.7	31.3	26.7
1982	11.2	11.0	41.4	38.6
1983	18.6	13.8	36.7	31.3
1984	14.2	12.6	36.3	33.7
1985	17.2	14.7	30.9	25.7

Source: W. T. Grimm & Co.

Figure 39.

The increase in the P/E paid and the decline in the premium paid over market also reflect the change in the types of companies that are going private. Leveraged buyout candidates were usually quite undervalued, slow-growing companies in basic manufacturing industries where the companies' solid assets, such as heavy equipment, were used to secure the debt. The majority of companies were in industries such as textiles and apparel, machine tools and other industrial goods, building and construction products, in other words, industries that tend to sell for lower P/E multiples.

Within the last year or so, the universe of candidates has expanded to include service-oriented companies, with some even in glamour industries such as broadcasting and motion pictures, resulting in higher P/Es and lower premiums over market. Assets are no longer the primary form of collateral. Lenders put up money based on strong management, solid cash flow and product viability.

The 1984 tax act signed in July was expected to further stimulate the growing going private trend, specifically the utilization of employee stock ownership plans, or ESOPS. The law allows lenders to exclude from their taxable income 50% of the interest they receive on loans to ESOPS to buy stock in their companies, thus, making ESOP loans more attractive to bankers. The ESOP buyout, however, was hardly used due to growing criticism, especially by the Department of Labor. In July, 1985 Labor opposed the 1984 buyout of Scott & Fetzer Co. on the grounds that management had too high a percentage of ownership for the amount of money that they contributed to the deal. Labor argued that the ESOP would have received too small a share of the company for the amount of money it had at risk. Failing to produce a plan that Labor could approve, Scott & Fetzer agreed to be acquired by Berkshire Hathaway Inc. in October, 1985.

The twenty largest going private deals since 1979 are listed in Figure 40. They are also most likely the largest in corporate history. The total dollar value paid for the 20 deals aggregated $23.98 billion. The average P/E paid was 18.6 times earnings and the average premium paid over market was 36.4%. Note that 15 of the 20 deals occurred in the last two years.

GOING PRIVATE
TWENTY LARGEST DEALS
1979—1985

Year Announced	Company Name [business and/or product line]	Approximate Purchase Price (millions)	Average P/E Paid	Average Premium Paid Over Market
1985	**Beatrice Cos.** [food prdts., dairy beverages, grocery & consumer prdts.]	$ 5,361.6	10.7X	14.9%
1985	**R.H. Macy & Co.** [dept. store chain]	3,484.7	18.4	54.5
1985	**Storer Communications, Inc.** [TV/radio stations, cable TV]	1,569.3	—	29.8
1983	**Metromedia, Inc.** [radio & TV broadcaster]	1,467.9	44.5	140.0
1985	**National Gypsum Co.** [building materials & prdts.] Price was increased to $2,059.1 million in April, 1986.	1,327.0	11.1	50.2
1985	**Jack Eckerd Corp.** [chain of drugstores]	1,181.7	—	10.0
1985	**Levi Strauss & Co.** [blue jeans & other apparel]	1,108.2	26.9	42.3
1985	**Northwest Industries, Inc.** [ind'l., consumer & chemical prdts.]	994.6	19.6	8.5% below market
1984	**ARA Services, Inc.** [food & transportation services, child care services, nursing homes]	873.2	14.4	56.4
1983	**Wometco Enterprises, Inc.** [broadcasting, bottling, vending]	810.0	29.6	16.6
1985	**Uniroyal, Inc.** [tires, specialty chemicals, plastic materials]	747.3	22.0	45.5
1981	**Twentieth Century-Fox Film Corp.** [motion picture producer]	683.4	12.3	11.6
1984	**Denny's, Inc.** [restaurants]	663.7	14.8	22.9
1985	**SCOA Industries, Inc.** [dept. stores, shoe retailer]	572.9	14.6	7.7
1984	**Malone & Hyde, Inc.** [food wholesaler]	548.3	14.6	32.1
1984	**Parsons Corp.** [construction & engineering]	546.9	15.8	23.7
1984	**Harte-Hanks Communications, Inc.** [newspaper & broadcast chain]	526.3	25.3	102.5
1984	**Blue Bell, Inc.** [sportswear]	522.3	10.8	21.8
1983	**Dr. Pepper Co.** [soft drinks]	512.2	—	37.5
1981	**Reliance Group, Inc.** [insurance holding]	483.0	10.0	16.7
	Totals & Averages	$ 23,984.5	18.6X	36.4%

A P/E was not computed for Storer Communications and Jack Eckerd since both firms experienced earnings losses, while a P/E for Dr. Pepper would have been irrelevant since the firm reported trailing twelve months' earnings of $0.39 a share, at the time the deal was announced, and was offered $22 a share.

P/Es were computed on the companies' trailing twelve months' earnings available at the time of the announcement. Premiums over market were based on the companies' closing stock price five days prior to the initial announcement.

Source: W. T. Grimm & Co.

Figure 40.

PERCENT PREMIUM PAID OVER MARKET PRICE*

The1985 average premium paid over market price, calculated on 331 acquisitions of publicly traded companies, held steady at 37.1%, compared with 37.9% (based on 199 transactions) in 1984. The 1985 average premium paid was the lowest since 1972, when acquirers paid an average 33.8% over the market price of acquired publicly traded companies. The lower premiums in the last three years coincide with a higher trading range for stock prices. The Dow Jones Industrial Average has remained above the 1000 level for three consecutive years. The proliferation of arbitrageurs and other takeover speculators may have also contributed to the decline in premiums. A higher incidence of rumors and leaks have prompted these speculators to invest in potential takeover candidates, thereby driving up the stock prices well before acquisition announcements are made.

PERCENT PREMIUM PAID OVER MARKET PRICE
1968—1985

DJIA High	DJIA Low	Year	Average	Median	Base*
985.21	825.13	1968	25.1	na	271
968.85	769.93	1969	25.7	na	191
842.00	631.16	1970	33.4	na	80
950.82	797.97	1971	33.1	na	74
1036.27	889.15	1972	33.8	na	93
1051.70	788.31	1973	44.5	na	145
891.66	577.60	1974	50.1	43.1	147
881.81	632.04	1975	41.4	30.1	129
1014.79	858.71	1976	40.4	31.1	168
999.75	800.85	1977	40.9	36.2	218
907.74	742.12	1978	46.2	41.5	240
897.61	796.67	1979	49.9	47.6	229
1000.17	759.13	1980	49.9	44.6	169
1024.05	824.01	1981	48.0	41.9	166
1070.55	776.92	1982	47.4	43.5	176
1287.20	1027.04	1983	37.7	34.0	168
1286.64	1086.57	1984	37.9	34.4	199
1553.10	1184.96	1985	37.1	27.7	331

*Base: The number of transactions where a premium over market was paid. Premiums can only be calculated on acquisitions of publicly traded companies.

Source: W. T. Grimm & Co.

Figure 41.

Historical Note

During the conglomerate merger wave of the '60s, the average premium paid over market ranged between 13% and 25%. The depressed stock market conditions of the 1970s were accompanied by substantial increases in the average premium paid. The highest average premium, 50.1% occurred in 1974 when the stock market reached 577.60, its lowest level in a decade. While looking at Figure 40, note the higher premiums during periods of relatively poor stock performance: 44.5% in 1973 when the stock market began its descent which ended in 1974; 46.2% in 1978 when the Dow Jones Industrial Average tumbled to 742.12, a three-year low; and 49.9% in 1979 when the DJIA could not even advance above the 900 level.

**Premium paid tabulations are based on the seller's closing market price five business days prior to the initial announcement. Prior to 1979, tabulations were based on two business days.*

During periods of relatively weaker stock market conditions, investors tend to regard their depressed stockholdings as only temporarily undervalued. Therefore, higher premiums are offered to induce the investors to sell their shares.

The annual distribution of premiums paid for the last twelve years are charted in Figure 42. Notice the years in which the average premium paid was 45% or more over market: 50.1% in 1974, 46.2% in 1978, 49.9% in 1979 and 1980, 48.0% in 1981, and 47.4% in 1982. In each of these years, there were more than 30 transactions with premiums of over 80%.

DISTRIBUTION OF PREMIUMS PAID
1974—1985

Percent Premium Paid Over Market	Number of Transactions					
	1974	1975	1976	1977	1978	1979
0.0 - 20.0	28	36	45	58	47	41
20.1 - 40.0	40	38	56	62	69	54
40.1 - 60.0	23	21	24	50	56	54
60.1 - 80.0	24	17	21	20	34	37
80.1 - 99.9	13	6	9	12	10	24
Over 99.9	19	11	13	16	24	19
Base*	147	129	168	218	240	229
	1980	**1981**	**1982**	**1983**	**1984**	**1985**
0.0 - 20.0	30	35	34	45	52	125
20.1 - 40.0	45	45	46	56	66	106
40.1 - 60.0	34	32	44	42	49	54
60.1 - 80.0	27	22	22	11	19	17
80.1 - 99.9	16	12	15	6	9	14
Over 99.9	17	20	15	8	4	15
Base*	169	166	176	168	199	331

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 42.

Figure 43 compares the average percent premium paid for a controlling interest with that for a minority interest. W. T. Grimm & Co. uses the term minority interest to signify purchases of 10 to 50% of a company's shares outstanding, while controlling interest refers to acquisitions of 50.1% or more. The

difference in premiums between a controlling interest and minority interest reflects the distinction between simply purchasing a minority liquid investment and acquiring the right to dictate the future operations of a company.

The 1985 average premium paid for a minority interest was 34.2%, up from 16.8% in 1984. Excluding a transaction which had a premium over market of 258.8%, the 1985 minority average would be 23.0%. Since W. T. Grimm & Co. monitors negotiated transfers of ownership or tender offers, not open market purchases, most of the minority interest acquisitions are cases where the seller needs additional capital and is therefore willing to exchange an equity interest for cash. The seller needs cash to either (1) finance expansion plans and/or new product development, or (2) to strengthen deteriorating balance sheets. In 1984, companies with money-losing operations outnumbered companies with growth plans, resulting in a much lower average premium paid for a minority interest.

PERCENT PREMIUM PAID
CONTROLLING VS. MINORITY

	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
Average Paid for a Controlling Interest	50.5	145	48.5	165	37.8	160	39.0	191	37.3	310
Average Paid for a Minority Interest	31.1	21	29.6	11	35.9	8	16.8	8	34.2	21

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 43.

A comparison of the premiums paid with respect to the dollar value of the transaction and the method of payment is displayed in Figure 44.

PERCENT MEDIAN PREMIUM PAID
1980—1985

I. COMPARISON BY DOLLAR VALUE

Value of Purchase Price	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
$25 million or less	48.4	64	38.0	50	43.8	50	25.1	32	30.7	37	22.8	117
$25.1—50.0 million	43.8	31	47.5	28	45.7	31	35.4	39	32.0	36	28.3	46
$50.1—99.9 million	35.1	23	34.6	27	41.1	33	21.1	30	37.2	36	30.1	42
$100 million or more	45.1	51	49.1	61	43.6	62	39.5	67	36.2	90	29.6	126

II. COMPARISON BY METHOD OF PAYMENT

	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
Cash	45.1	98	38.0	102	36.6	106	34.8	94	31.9	138	27.0	194
Stock	38.0	34	47.1	31	47.9	29	33.4	34	44.4	23	32.5	64
Combination	53.4	34	56.0	30	55.0	40	35.0	36	42.1	32	31.9	55

*Base: Number of transactions where a premium over market was paid and payment method disclosed.

Source: W. T. Grimm & Co.

Figure 44.

Figure 45 compares the median premium paid between lower priced stocks and higher priced stocks. Lower priced stocks tend to get higher premiums because the selling shareholders do not realize as great a profit as do shareholders of higher priced stocks with even lower premiums. For example, a $10 stock

price at a 40% premium is only $4, while a $51 stock price at a 20% premium is $10.20. In addition, lower priced stocks, particularly those under $10, tend to be thinly traded and less liquid, resulting in companies that are more closely held. Because ownership is more concentrated, acquirers must offer higher premiums to gain control.

PERCENT MEDIAN PREMIUM PAID
LOW PRICED STOCKS VS. HIGH PRICED STOCKS
1981—1985

Seller's Market Price Five Days Prior to Announcement	Median Premium Paid									
	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
$10.00 & under	51.2	45	64.2	53	41.8	28	40.0	50	27.4	125
$10.125–25.00	43.1	68	38.1	86	32.6	79	35.2	87	29.4	121
$25.125–50.00	38.0	45	30.8	31	35.0	51	30.6	54	25.8	65
Over $50.00	30.1	8	30.1	6	20.0	10	20.0	8	26.1	20

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 45.

A comparison of the premiums paid with respect to the seller's price earnings ratio is provided in Figure 46.

PERCENT MEDIAN PREMIUM PAID
WITH RESPECT TO SELLER'S P/E

Seller's P/E Ratio Five Days Prior to Announcement	Percent Median Premium Paid [Base*]			
	1982	1983	1984	1985
1.0 – 5.0X	63.4 [15]	80.0 [5]	50.1 [6]	80.0 [18]
5.1 – 8.0	53.7 [41]	42.1 [17]	37.8 [29]	32.0 [36]
8.1 – 10.0	34.6 [28]	35.4 [22]	35.6 [28]	28.2 [45]
10.1 – 12.0	33.4 [18]	25.1 [16]	31.6 [21]	27.3 [41]
12.1 – 15.0	38.6 [16]	30.1 [18]	33.8 [33]	24.2 [45]
Over 15.0	30.1 [34]	30.1 [61]	28.1 [50]	23.3 [68]

In 1982, there were 24 companies which were operating at a deficit when acquired. Based on those 24 cases, the median premium paid over market was 57.5%. In 1983, 29 companies were operating at a deficit and the median premium paid was 53.7%, while the 32 deficit operating companies in 1984 had a median premium paid of 42.6%. In 1985, 78 companies operating at a deficit had a median premium paid of 28.8%.

*Base: Number of transactions where a premium over market was paid.

Source: W. T. Grimm & Co.

Figure 46.

An inspection of the 1985 W. T. Grimm & Co. Transaction Roster for the five completed or pending transactions with the largest and the five with the smallest premiums paid disclosed the following results.

Buyer	Seller	Percent Premium Paid Over Market
Coca-Cola Co.	Walter Reade Organization, Inc. (remaining 58.3%)	425.0%
U.S. Telescan Communications, Inc.	Solar Satellite Communications, Inc.	300.0
McPherson's Ltd. — Australia	Learning Annex, Inc. (initial 15%)	258.8
HCC Industries	Hermetite Corp.	175.0
Air Wis Services, Inc.	Mississippi Valley Airlines, Inc.	158.2
Employee Stock Ownership Plan	Michael Baker Corp. (additional 30%)	0.0
Mineral Development, Inc.	Newport Petroleums, Inc.	0.6
Petrie Stores Corp.	Paul Harris Stores, Inc. (additional 18.6%)	1.1
Atico Financial Corp.	Peninsula Federal Savings & Loan Association	1.8
Eli Lilly & Co.	Hybritech, Inc.	2.0

More details on these acquisitions are provided in the Transaction Roster beginning on page 162.

INDUSTRY CLASSIFICATIONS
PERCENT PREMIUM PAID OVER MARKET

Seller Industry Classifications	1981	1982	1983	1984	1985
Agricultural Production	—	33.0 [2]	19.4 [3]	14.0 [1]	12.5 [1]
Food Processing	55.1 [4]	46.8 [9]	48.6 [5]	40.1 [6]	27.7 [12]
Beverages	—	51.6 [7]	33.6 [3]	46.6 [3]	27.4 [2]
Apparel	49.2 [3]	1.4 [1]	19.1 [2]	29.4 [9]	21.6 [9]
Textiles	37.9 [1]	34.5 [6]	32.4 [6]	35.7 [1]	11.7 [4]
Timber & Forest Products	23.3 [2]	23.0 [1]	—	39.9 [2]	36.8 [1]
Paper	—	83.2 [1]	19.0 [1]	—	30.1 [3]
Packaging & Containers	99.9 [1]	—	29.1 [2]	45.4 [3]	13.1 [2]
Furniture	—	17.2 [2]	2.1 [1]	—	9.9 [1]
Building Products & Materials	55.6 [1]	61.7 [3]	71.3 [2]	17.5 [3]	31.6 [6]
Household Goods	65.1 [2]	41.2 [3]	30.8 [3]	25.7 [3]	32.5 [4]
Printing & Publishing	42.9 [1]	—	43.1 [4]	72.0 [4]	17.0 [1]
Chemicals, Paints & Coatings	30.0 [5]	33.6 [3]	—	23.7 [2]	23.2 [8]
Drugs, Medical Supplies & Equipment	22.3 [3]	35.5 [6]	25.7 [2]	38.3 [2]	36.2 [10]
Toiletries & Cosmetics	—	23.5 [1]	—	34.3 [2]	62.7 [2]
Plastics & Rubber	65.9 [2]	—	7.0 [1]	66.0 [3]	35.9 [5]
Stone, Clay & Glass	40.3 [1]	82.0 [1]	35.9 [2]	33.6 [1]	50.2 [1]
Primary Metal Processing	14.5 [3]	—	35.6 [3]	29.2 [4]	37.6 [3]
Fabricated Metal Products	36.7 [4]	54.5 [3]	—	—	22.3 [4]
Industrial & Farm Machinery & Equipment	53.2 [10]	49.5 [9]	28.9 [6]	51.0 [7]	30.6 [8]
Construction, Mining & Oil Field Machinery & Equipment	—	33.3 [1]	41.4 [3]	10.5 [1]	—
Valves, Pumps & Hydraulics	73.1 [1]	64.7 [1]	—	40.9 [4]	—
Autos & Trucks	3.0 [1]	—	—	—	—
Automotive Products & Accessories	—	—	—	—	47.0 [3]
Electrical Equipment	46.3 [4]	93.0 [1]	39.1 [1]	19.5 [5]	61.2 [7]
Office Equipment & Computer Hardware	41.0 [4]	39.0 [3]	64.8 [1]	43.5 [5]	32.1 [8]
Electronics	65.4 [6]	27.0 [4]	25.3 [3]	57.9 [3]	54.1 [7]
Aerospace, Aircraft & Defense	52.4 [1]	42.1 [2]	38.9 [1]	64.2 [3]	35.8 [5]
Instruments & Photographic Equipment	36.0 [4]	82.9 [2]	24.0 [3]	33.3 [1]	28.5 [8]
Toys & Recreational Products	—	42.7 [2]	—	14.3 [1]	—
Miscellaneous Manufacturing	17.5 [1]	68.7 [1]	28.5 [1]	10.9 [1]	50.0 [1]
Oil & Gas	40.8 [11]	36.4 [14]	38.3 [23]	32.7 [19]	54.9 [21]
Mining & Minerals	66.6 [5]	99.9 [1]	—	11.9 [1]	—
Transportation	54.4 [4]	66.8 [3]	23.5 [1]	40.3 [3]	50.6 [10]
Communications	14.5 [1]	52.9 [1]	—	5.6 [1]	15.8 [2]
Broadcasting	37.7 [2]	—	69.4 [2]	32.4 [1]	83.4 [6]
Electrical, Gas, Water & Sanitary Services	—	68.2 [2]	60.7 [2]	153.3 [1]	45.5 [3]
Wholesale & Distribution	45.2 [5]	47.0 [2]	32.9 [4]	34.2 [5]	35.4 [15]
Retail	55.0 [14]	50.3 [12]	43.1 [5]	35.9 [23]	31.7 [28]
Banking & Finance	53.6 [14]	60.3 [22]	40.6 [31]	53.9 [12]	27.3 [53]
Insurance	40.4 [12]	53.0 [11]	62.3 [7]	42.8 [5]	50.1 [5]
Real Estate	63.3 [4]	17.1 [2]	—	—	41.6 [5]
Brokerage, Investment & Management Consulting Services	72.2 [4]	17.4 [2]	36.9 [3]	22.8 [4]	24.9 [1]
Computer Software, Supplies & Services	46.5 [3]	75.0 [2]	31.3 [2]	48.9 [7]	30.8 [14]
Construction Contractors & Engineering Services	57.2 [1]	8.7 [1]	41.1 [2]	29.0 [4]	28.4 [9]
Energy Services	99.9 [1]	86.5 [1]	99.9 [1]	34.4 [4]	—
Health Services	47.9 [5]	53.8 [3]	30.3 [7]	36.2 [5]	28.1 [3]
Leisure & Entertainment	35.7 [7]	37.9 [6]	32.9 [6]	31.1 [6]	65.2 [15]
Miscellaneous Services	45.6 [4]	32.2 [6]	24.6 [4]	32.2 [6]	83.3 [6]
Conglomerate	55.4 [4]	46.7 [10]	31.8 [9]	35.0 [12]	23.1 [9]
Industry-wide Average	48.0 [166]	47.4 [176]	37.7 [168]	37.9 [199]	37.1 [331]

Source: W. T. Grimm & Co.

ACQUISITIONS OF PRIVATELY OWNED COMPANIES

There were 1,358 privately owned companies acquired in 1985, compared with 1,351 in 1984. The economy's robust recovery in the last three years has enabled more privately held firms to strengthen their balance sheets, thereby becoming attractive acquisition candidates. The 1985 total dollar value paid for privately held businesses was $16.85 billion, almost double the $8.7 billion tabulated in 1984. Even though the number of $100 million-plus transactions declined from 19 to 15 (see Figure 48), two of the 15 deals had price tags of more than one billion dollars, together contributing $6.6 billion to the private seller dollar total. They were the $5.02 billion purchase of Hughes Aircraft Co. by General Motors Co., the largest acquisition of a privately held seller in U.S. corporate history, and Rockwell International Corp.'s $1.65 billion acquisition of Allen-Bradley Co., the third largest privately held acquisition in history. The dollar total for the 15 transactions valued at $100 million or more was $10.5 billion, accounting for 62% of the $16.85 billion tabulated for all acquisitions of privately held sellers. In 1984, the 19 $100 million-plus deals totalled $3.5 billion which contributed only 39% to the $8.7 billion aggregate. The 15 transactions of 1985 are identified in the W. T. Grimm & Co. 100 Million Dollar Club beginning on page 17.

ACQUISITIONS OF PRIVATELY HELD COMPANIES
1976—1985

Year	Number of Acquisitions	Percent of Total Acquisition Activity	Total Dollar Value Paid (millions of dollars)	Base*
1976	856	38%	#	
1977	971	44%	#	
1978	969	46%	#	
1979	1,049	49%	#	
1980	988	52%	#	
1981	1,330	55%	$8,521.7	581
1982	1,222	52%	5,916.9	420
1983	1,316	52%	8,079.4	500
1984	1,351	53%	8,734.8	445
1985	1,358	45%	16,851.6	453

Data not collected that year.
*Base: Number of transactions disclosing purchase price.

Source: W. T. Grimm & Co.

Figure 47.

As the above figure indicates, the purchase of privately held companies is a significant, if not the most fundamental, component of merger and acquisition activity. The majority of these acquisitions fall into two main situations which are characterized by the seller's motivation. Lack of an heir to take over the business is probably the most frequent reason for selling. Nearing retirement, sale of the company also provides the owner with needed liquidity for estate tax purposes. The second most common selling scenario involves a company experiencing the pressures of growth. Increasing demand for the company's products or services exerts pressure on the firm to become more sophisticated and efficient in its operations. To fulfill these demands, the owner/entrepreneur sells his business so that he can obtain needed financing for expansion and rely on the professional management assistance a larger firm can provide.

Instead of selling, the owner of a growing privately owned business can obtain capital via the stock market through an initial public offering. The stock market of the '70s, however, was too anemic to raise sufficient funds. Due to this low level of investor interest in new stock offerings, selling and/or merging became the better alternative, resulting in more acquisitions of privately owned businesses in the late '70s.

A dormant new issues market has also been a factor in the increase in privately held acquisitions during the last two years. In addition to the depressed market for initial public offerings, the venture capital industry, particularly the mezzanine market, experienced a shortage of institutional investors in the last two years. The mezzanine market consists of securities junior to conventional asset based securities. Mezzanine securities are primarily based on the earnings and cash flow of the company. Companies in need of mezzanine financing are at a more advanced stage in their development than straight start-up ventures. The mezzanine market's lack of institutional investors forced these capital-hungry companies to become acquisition candidates.

The most dramatic increase in private acquisitions was the 35% jump from 988 transactions in 1980 to 1,330 in 1981. Persistent high interest rates and dwindling cash flows forced many undercapitalized concerns to sell out. Rather than struggle to weather a recession beset with double digit interest rates, many owners chose to sell their businesses.

Contrary to acquisitions of publicly traded companies, most purchases of privately held sellers are small transactions involving exchanges of stock (see Figure 48). Because their concern for tax liability is greater than that of shareholders in a publicly traded company, owners of private companies prefer tax-free exchanges of securities rather than a taxable cash transaction.

ACQUISITIONS OF PRIVATELY OWNED COMPANIES
1979—1985

I. DOLLAR VALUE
Number (Percent of Transactions Disclosing Price)

Value of Purchase Price	1979	1980	1981	1982	1983	1984	1985
$ 5 million or less	257 (51%)	219 (49%)	265 (46%)	197 (47%)	198 (40%)	180 (41%)	149 (33%)
$ 5.1 - 10.0 million	115 (23%)	94 (21%)	136 (23%)	85 (20%)	116 (23%)	84 (19%)	105 (23%)
$10.1 - 15.0 million	42 (8%)	42 (9%)	62 (11%)	52 (12%)	55 (11%)	50 (11%)	51 (11%)
$15.1 - 25.0 million	36 (7%)	30 (7%)	43 (7%)	35 (8%)	56 (11%)	51 (12%)	56 (13%)
$25.1 - 50.0 million	30 (6%)	40 (9%)	45 (8%)	29 (7%)	48 (10%)	46 (10%)	57 (13%)
$50.1 - 99.9 million	18 (3%)	16 (4%)	18 (3%)	15 (4%)	19 (4%)	15 (3%)	20 (4%)
$100 million or more	8 (2%)	4 (1%)	12 (2%)	7 (2%)	8 (1%)	19 (4%)	15 (3%)
Number Transactions Disclosing Price	506	445	581	420	500	445	453

II. METHOD OF PAYMENT
Number (Percent of Transactions Disclosing Payment Form)

	1979	1980	1981	1982	1983	1984	1985
Cash	263 (39%)	198 (32%)	213 (28%)	137 (24%)	129 (20%)	167 (29%)	170 (28%)
Stock	278 (41%)	286 (46%)	379 (50%)	256 (44%)	306 (48%)	226 (39%)	234 (39%)
Combination	139 (20%)	129 (21%)	159 (21%)	169 (29%)	202 (31%)	180 (31%)	195 (33%)
Debt	3 (—)	5 (1%)	8 (1%)	16 (3%)	6 (1%)	4 (1%)	1 (—)
Number Transactions Disclosing Payment Form	683	618	759	578	643	577	600

Source: W. T. Grimm & Co.

Figure 48.

PRICE/EARNINGS RATIOS PAID

The price paid as a multiple of the acquired company's earnings is only computable when both the total price paid and the earnings of the seller are disclosed. In 1985, such information was available for 427 transactions, only 14% of the total net merger and acquisition count. Due to the high percentage of private sellers and divestitures, few transactions release sufficient data on which to calculate price earnings ratios paid. The subsequent P/E multiples should not, therefore, be construed as representative of all mergers and acquisitions. They simply provide a set of guidelines.

Based on the 427 transactions in 1985, the average P/E ratio paid was 18.0 times earnings, compared with the 17.2 (based on 246 transactions) calculated in 1984. The annual distribution of P/E ratios paid for the last seven years are presented in Figure 49. Average and median values are also provided.

DISTRIBUTION OF P/E RATIOS PAID
1979—1985

Price/Earnings Ratio Paid	1979	1980	1981	1982	1983	1984	1985
0.1— 8.5	78	61	40	42	24	35	51
8.6—10.5	60	42	31	28	21	33	47
10.6—13.0	60	40	51	41	34	40	80
13.1—17.0	61	45	40	41	36	52	89
17.1—25.0	51	17	39	22	44	50	91
25.0—99.9	23	38	29	19	30	36	69
*Base	333	243	230	193	189	246	427
Average P/E Paid	14.3	15.2	15.6	13.9	16.7	17.2	18.0
Median P/E Paid	11.6	11.3	12.7	12.1	14.5	14.2	14.7

*Base: Number of transactions disclosing P/E paid.

Source: W. T. Grimm & Co.

Figure 49.

Noteworthy is the comparison between multiples paid for publicly traded companies and those paid for privately owned businesses. The 1985 average P/E ratio paid for public companies was 20.1, while the average multiple paid for private firms was 15.3. The comparable averages in 1984 were 18.2 for public and 13.1 for private. Median values for the last seven years are listed in Figure 50 and they indicate that higher P/E multiples are paid for public companies than for private concerns. Since publicly traded companies tend to be larger, more sophisticated businesses with solid market shares, they are more likely to command correspondingly higher price multiples.

MEDIAN P/E PAID
PUBLIC VS PRIVATE
1979—1985

	1979	Base*	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
Acquisitions of Public Companies	11.8	217	11.5	162	14.0	160	12.8	150	15.5	141	15.1	183	16.4	240
Acquisitions of Private Companies	11.3	116	10.3	81	11.5	70	10.1	43	11.5	48	11.4	63	12.3	187

*Base: Number of transactions disclosing P/E paid.

Source: W. T. Grimm & Co.

Figure 50.

Comparisons of median P/E ratios paid with respect to the dollar value of the transaction and the method of payment are presented in the following table.

MEDIAN P/E PAID
1980—1985

I. COMPARISON BY DOLLAR VALUE

Price Paid Value	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
$25 million or less	10.2	123	11.0	90	10.4	69	13.5	54	11.0	61	12.7	183
$25.1 — 50.0 million	9.5	36	13.7	36	12.0	25	14.7	40	12.2	45	14.3	60
$50.1 — 99.9 million	13.7	27	13.5	32	13.3	33	12.4	34	15.8	39	14.2	49
$100 million or more	13.7	57	15.4	72	13.1	66	17.4	61	16.4	101	17.4	135

II. COMPARISON BY METHOD OF PAYMENT

	1980	Base*	1981	Base*	1982	Base*	1983	Base*	1984	Base*	1985	Base*
Cash	11.0	121	13.5	112	12.4	109	15.8	95	14.3	145	15.1	206
Stock	12.8	75	14.5	57	12.0	33	17.9	36	17.8	33	14.8	110
Combination	11.3	43	12.6	50	12.2	47	12.5	46	12.6	47	13.9	93

*Base: Number of transactions disclosing P/E paid and payment method.

Source: W. T. Grimm & Co.

Figure 51.

Figure 52 charts the percent premium paid over the average price-earnings multiple on the Standard & Poor's index of 500 stocks since 1968.

PRICE/EARNINGS RATIOS
PREMIUM PAID OVER S&P 500
1968—1985

Year	Standard & Poor's Index of 500 Stocks*	WTG Average P/E Paid#	Percent Premium Over S&P 500
1968	18.1	24.6	35.9%
1969	15.1	21.0	39.1%
1970	16.7	23.1	38.3%
1971	18.3	24.3	32.8%
1972	19.1	21.4	12.0%
1973	12.2	18.9	54.9%
1974	7.3	13.5	84.9%
1975	11.7	13.3	13.7%
1976	11.0	15.1	37.2%
1977	8.8	13.8	56.8%
1978	8.3	14.3	72.2%
1979	7.4	14.3	93.2%
1980	9.1	15.2	67.0%
1981	8.1	15.6	92.6%
1982	10.2	13.9	36.3%
1983	12.4	16.7	34.7%
1984	10.8	17.2	59.3%
1985	11.5	18.0	56.5%

*Based upon an average of weekly prices and quarterly earnings.

#Based upon prices paid in all transactions where earnings information was available.

Source: W. T. Grimm & Co.

Figure 52.

The fact that the percent premium paid over the S&P index dramatically increased during the last half of the 1970s suggests that the stock market was greatly undervalued. During the '60s and very early '70s, investors were willing to pay more for stocks since the return on alternative fixed-income investments was low by today's standards. Consequently, the average price-earnings multiple of stocks on the S&P 500 was typically above 15. But when interest rates surged in the late '70s, stocks became less attractive and the multiple on the S&P 500 plunged to 7.4 in 1979. At the same time, the double-digit inflation of the late '70s was steadily increasing the value of corporate assets. Earnings, what most investors look at, were worth less, while the underlying assets were worth more. Hence, corporate acquirers were pricing their acquisitions closer to the asset values of seller companies rather than their earnings, which explains the increase in the premium paid over the S&P 500.

An inspection of the 1985 W. T. Grimm & Co. Transaction Roster for the five completed or pending transactions with the highest and the five with the lowest P/E ratios paid disclosed the following results.

Buyer	Seller	P/E Ratio Paid
Animed, Inc.	Intermountain Labs, Inc.	80.7X
Minstar, Inc.	AMF, Inc.	75.0
Baxter Travenol Laboratories, Inc.	Compucare, Inc.	65.0
Ameritech	Applied Data Research, Inc.	61.5
Harcourt Brace Jovanovich, Inc.	Florida Cypress Gardens, Inc.	58.8
American Fletcher Corp.	Carmel Bank & Trust Co.	1.5
Falcon Oil & Gas Co.	Cox Resources Corp.	3.0
Custom Creamery Systems, Inc.	Orange Julius International, Inc. (all operating units)	3.3
Private Group (Bastian's chairman)	Bastian Industries, Inc.	3.6
Vector Graphic, Inc.	Dual Systems Control Corp.	3.8

More details on these acquisitions are provided in the Transaction Roster beginning on page 162.

Individual average price earnings ratios paid for the 50 W. T. Grimm & Co. industry classifications are listed on the next page. Base numbers on which the averages were computed are also provided.

INDUSTRY CLASSIFICATIONS
P/E RATIOS PAID

Seller Industry Classifications	Average P/E Ratio Paid (Base)				
	1981	1982	1983	1984	1985
Agricultural Production	6.0 [3]	10.0 [2]	13.7 [2]	10.1 [1]	—
Food Processing	13.1 [6]	12.3 [13]	14.3 [5]	13.7 [10]	14.7 [9]
Beverages	14.5 [2]	10.4 [4]	17.0 [2]	15.5 [2]	14.5 [3]
Apparel	8.3 [3]	8.2 [3]	7.2 [3]	12.4 [11]	20.3 [6]
Textiles	3.1 [1]	11.1 [6]	17.9 [5]	8.6 [2]	13.5 [3]
Timber & Forest Products	13.7 [2]	10.9 [1]	—	25.9 [2]	20.5 [1]
Paper	—	8.2 [2]	13.8 [1]	—	12.0 [4]
Packaging & Containers	12.0 [4]	—	15.2 [2]	18.3 [3]	10.8 [3]
Furniture	7.7 [1]	8.9 [3]	10.6 [2]	—	14.4 [2]
Building Products & Materials	16.3 [1]	27.3 [1]	14.2 [2]	14.0 [3]	16.5 [5]
Household Goods	11.1 [3]	11.0 [2]	27.1 [4]	11.1 [5]	13.7 [4]
Printing & Publishing	—	15.3 [1]	14.2 [7]	17.7 [5]	20.4 [2]
Chemicals, Paints & Coatings	14.1 [6]	22.7 [3]	—	15.2 [5]	13.3 [2]
Drugs, Medical Supplies & Equipment	20.1 [4]	20.8 [7]	32.9 [1]	21.8 [4]	21.1 [8]
Toiletries & Cosmetics	—	15.7 [1]	12.8 [2]	22.9 [3]	18.6 [2]
Plastics & Rubber	27.5 [2]	—	8.4 [1]	19.4 [3]	15.6 [5]
Stone, Clay & Glass	14.9 [2]	11.6 [3]	12.8 [2]	16.4 [2]	11.1 [1]
Primary Metal Processing	10.5 [5]	—	9.5 [3]	14.2 [3]	18.2 [1]
Fabricated Metal Products	11.4 [7]	14.9 [3]	17.7 [1]	—	15.4 [5]
Industrial & Farm Machinery & Equipment	11.6 [10]	12.4 [10]	13.3 [5]	16.3 [5]	19.7 [8]
Construction, Mining & Oil Field Machinery & Equipment	4.6 [2]	23.0 [1]	28.0 [2]	57.5 [1]	—
Valves, Pumps & Hydraulics	7.3 [2]	9.2 [1]	16.6 [2]	20.7 [3]	—
Autos & Trucks	—	—	—	—	10.2 [1]
Automotive Products & Accessories	15.9 [1]	11.9 [1]	—	6.9 [1]	10.2 [2]
Electrical Equipment	21.9 [6]	13.2 [2]	18.1 [1]	24.0 [5]	17.2 [6]
Office Equipment & Computer Hardware	35.7 [3]	12.7 [3]	24.4 [3]	17.7 [4]	14.2 [5]
Electronics	16.4 [10]	17.8 [5]	16.1 [5]	12.8 [1]	14.8 [9]
Aerospace, Aircraft & Defense	11.8 [1]	11.4 [2]	20.9 [2]	17.0 [3]	26.2 [7]
Instruments & Photographic Equipment	20.2 [5]	8.8 [3]	30.5 [2]	19.2 [4]	18.3 [5]
Toys & Recreational Products	—	8.2 [1]	1.1 [1]	46.7 [2]	9.1 [1]
Miscellaneous Manufacturing	9.1 [2]	—	18.7 [2]	15.2 [2]	25.0 [1]
Oil & Gas	15.9 [15]	19.4 [12]	17.8 [18]	20.5 [19]	18.2 [13]
Mining & Minerals	18.2 [6]	1.7 [1]	9.7 [1]	10.9 [2]	6.8 [1]
Transportation	17.1 [3]	8.2 [5]	14.1 [2]	11.2 [4]	27.3 [9]
Communications	11.5 [2]	31.3 [1]	—	30.3 [1]	21.8 [5]
Broadcasting	58.9 [2]	—	36.3 [2]	40.0 [1]	23.0 [3]
Electrical, Gas, Water & Sanitary Services	20.0 [1]	13.0 [3]	14.2 [3]	11.4 [1]	15.6 [6]
Wholesale & Distribution	10.5 [10]	8.8 [4]	11.7 [5]	17.8 [8]	14.7 [15]
Retail	14.4 [11]	16.9 [11]	13.5 [7]	16.4 [23]	17.9 [22]
Banking & Finance	12.5 [24]	13.1 [22]	13.2 [33]	13.3 [24]	16.1 [167]
Insurance	14.0 [15]	13.4 [12]	15.0 [8]	15.7 [6]	12.4 [10]
Real Estate	19.2 [3]	18.7 [2]	8.5 [4]	8.7 [5]	9.4 [3]
Brokerage, Investment & Management Consulting Services	11.4 [5]	9.1 [3]	19.5 [4]	11.2 [5]	—
Computer Software, Supplies & Services	24.2 [5]	—	26.6 [5]	25.6 [8]	32.1 [14]
Construction Contractors & Engineering Services	66.2 [1]	11.0 [3]	14.2 [1]	9.0 [5]	16.5 [10]
Energy Services	12.6 [9]	7.6 [2]	8.1 [1]	38.0 [2]	—
Health Services	24.5 [8]	31.6 [3]	21.2 [8]	20.4 [9]	47.5 [3]
Leisure & Entertainment	19.7 [6]	17.5 [5]	30.1 [5]	18.4 [8]	27.9 [16]
Miscellaneous Services	12.7 [6]	11.9 [10]	17.0 [5]	15.0 [7]	22.8 [9]
Conglomerate	20.7 [4]	13.3 [10]	20.5 [7]	18.0 [13]	20.5 [10]
Industry-wide Average	15.6 [230]	13.9 [193]	16.7 [189]	17.2 [246]	18.0 [427]

Source: W.T. Grimm & Co.

Regrouping the 50 W. T. Grimm & Co. classifications into 12 industry sectors allows a broader interpretation of P/Es and premiums.

INDUSTRY SECTORS
P/E RATIOS PAID
&
PERCENT PREMIUMS PAID OVER MARKET

Industry Sector	Average P/E Paid [Base]				
	1981	1982	1983	1984	1985
Agricultural Production	6.0X[3]	10.0X[2]	13.7X[2]	10.1X[1]	15.9X[110]
Manufacturing	14.2 [89]	14.1 [81]	16.6 [68]	19.0 [92]	15.1 [15]
Natural Resources	15.9 [23]	10.7 [14]	13.8 [19]	19.1 [23]	27.3 [9]
Transportation	17.1 [3]	8.2 [5]	14.1 [2]	11.2 [4]	22.4 [8]
Communications & Broadcasting	35.2 [4]	31.3 [1]	36.3 [2]	35.2 [2]	15.6 [6]
Utilities	20.1 [1]	13.0 [3]	14.2 [3]	11.4 [1]	14.7 [15]
Wholesale & Distribution	10.5 [10]	8.8 [4]	11.7 [5]	17.8 [8]	17.9 [22]
Retail	14.4 [11]	16.9 [11]	13.5 [7]	16.4 [23]	14.2 [177]
Financial Services	12.6 [44]	11.9 [37]	15.9 [45]	13.4 [35]	
Other Services	26.7 [35]	15.9 [23]	19.5 [25]	21.1 [39]	29.4 [52]
Real Estate	19.2 [3]	18.7 [2]	8.5 [4]	8.7 [5]	9.4 [3]
Conglomerate	20.7 [4]	13.3 [10]	20.5 [7]	18.0 [13]	20.5 [10]
Industry-wide Averages	15.6X[230]	13.9X[193]	16.7X[189]	17.2X[246]	18.0X[427]

Industry Sector	Average Premium Paid [Base]				
	1981	1982	1983	1984	1985
Agricultural Production	—	33.0%[2]	19.4%[3]	14.0%[1]	12.5%[1]
Manufacturing	45.6%[63]	48.2 [72]	32.9 [56]	36.8 [77]	31.9 [124]
Natural Resources	43.6 [18]	53.1 [16]	38.3 [23]	28.2 [22]	45.8 [22]
Transportation	54.5 [4]	66.8 [3]	23.5 [1]	40.3 [3]	50.6 [10]
Communications & Broadcasting	26.1 [3]	52.9 [1]	69.4 [2]	19.0 [2]	49.6 [8]
Utilities	—	68.2 [2]	60.7 [2]	153.3 [1]	45.5 [3]
Wholesale & Distribution	45.2 [5]	47.0 [2]	32.9 [4]	34.2 [5]	35.4 [15]
Retail	55.0 [14]	50.3 [12]	43.1 [5]	35.9 [23]	31.7 [28]
Financial Services	55.4 [30]	43.6 [35]	46.6 [41]	39.8 [21]	34.1 [59]
Other Services	55.5 [21]	49.0 [19]	43.4 [22]	35.3 [32]	47.2 [47]
Real Estate	63.3 [4]	17.1 [2]	—	—	41.6 [5]
Conglomerate	55.4 [4]	46.7 [10]	31.8 [9]	35.0 [12]	23.1 [9]
Industry-wide Averages	48.0%[166]	47.4%[176]	37.7%[168]	37.9%[199]	37.1%[331]

CONTINGENT PAYOUTS

Acquisitions utilizing contingent payouts during 1985 numbered 65, compared with 39 in 1984. Contingent payouts are supplementary payments based on the future earnings of the acquired concern. They are used to overcome the buyer's difficulty in determining the present value or future growth rate of a selling company. Thus, the contingent provision serves as (1) a protection for the buyer against overvaluation of the seller, and (2) an incentive for the owner to remain and continue running the business. The majority of acquired companies in such transactions are small privately held companies and/or service oriented establishments.

CONTINGENT PAYOUTS
1974—1985

1974—33	1980—33
1975—20	1981—52
1976—32	1982—51
1977—22	1983—37
1978—25	1984—39
1979— 9	1985—65

Source: W. T. Grimm & Co.

Figure 53.

ANNUAL SALES OF ACQUIRED COMPANIES

A total of 1,783 transactions involved the sale of an entire company in 1985. Among these acquisitions, 908 sellers disclosed their annual sales. Annual distributions of seller companies (non-divestitures) by their annual sales for the last seven years are provided in the subsequent figure.

DISTRIBUTION OF SELLERS BY SALES
1979—1985

	Percentage of Sellers Disclosing Sales						
Annual Sales Volume	**1979**	**1980**	**1981**	**1982**	**1983**	**1984**	**1985**
$10 million or less	44%	41%	41%	39%	40%	35%	37%
$10.1—50.0 million	29%	34%	36%	35%	35%	33%	33%
$50.1—100.0 million	11%	10%	6%	9%	10%	12%	9%
Over $100 million	16%	15%	17%	17%	15%	20%	21%
Number of Seller Companies Disclosing Annual Sales	644	504	651	559	642	735	908

Source: W. T. Grimm & Co.

Figure 54.

GEOGRAPHIC BREAKDOWN

Among the 1,783 transactions involving the sale of an entire company, a location was obtained for 1,755 sellers and 1,653 buyers. The geographic breakdown for sellers appears on page 137, while the buyers are on page 138.

Among the 50 states and the District of Columbia, 10 had a decline in the number of sellers, while 37 had more sellers than the year before. Three states remained unchanged: Pennsylvania, Louisiana and Hawaii. Delaware had no sellers in 1985 and two in 1984.

Thirteen states had fewer buyers in 1985 than in 1984, while 28 had an increase in the number of buyers. Six states remained unchanged: Connecticut, Louisiana, Maine, South Carolina, Wyoming and Vermont. Three states had no buyers in 1985, but had one in 1984: Alaska, North Dakota and South Dakota. There were no buyers from Montana during 1985 and 1984.

A regional breakdown for both buyers and sellers appears on page 139.

NUMBER OF SELLERS RANKED BY STATES

	Number of Sellers (Rank)					
	1981	1982	1983	1984	1985	Five Year Total
California	148(2)	130(1)	208(1)	263(1)	261(1)	1,010(1)
New York	91(3)	101(3)	112(3)	120(2)	223(2)	647(2)
Texas	157(1)	128(2)	132(2)	117(3)	102(3)	636(3)
Florida	72(4)	74(4)	65(6)	64(6)	80(4)	355(4)
Illinois	55(6)	65(5)	70(4)	75(4)	77(5)	342(5)
Ohio	62(5)	31(11)	46(7)	41(9)	75(6)	255(8)
Massachusetts	40(7)	33(9)	46(7)	61(7)	67(7)	247(9)
New Jersey	40(7)	56(7)	67(5)	61(7)	66(8)	290(6)
Pennsylvania	27(13)	61(6)	45(9)	66(5)	66(8)	265(7)
Michigan	36(10)	33(9)	33(14)	35(12)	59(10)	196(10)
Indiana	15(23)	19(19)	21(21)	19(21)	58(11)	132(16)
Georgia	38(9)	31(11)	34(13)	39(11)	51(12)	193(11)
Connecticut	26(14)	22(16)	37(12)	27(13)	40(13)	152(13)
Colorado	22(17)	43(8)	39(11)	41(9)	35(14)	180(12)
Virginia	26(14)	31(11)	29(16)	27(13)	35(14)	148(14)
Minnesota	17(19)	24(14)	20(22)	22(17)	32(16)	115(19)
Maryland	16(21)	18(20)	29(16)	15(25)	31(17)	109(21)
Wisconsin	22(17)	20(18)	27(19)	22(17)	31(17)	122(17)
Washington	13(26)	15(24)	29(23)	25(15)	28(19)	110(20)
Missouri	34(11)	22(16)	41(10)	21(19)	25(20)	143(15)
Arizona	10(30)	11(28)	13(30)	13(26)	24(21)	71(27)
North Carolina	17(19)	14(26)	31(15)	19(21)	23(22)	104(23)
Kentucky	15(23)	15(24)	15(27)	19(21)	22(23)	86(25)
Tennessee	16(21)	17(23)	28(18)	25(15)	22(23)	108(22)
Alabama	13(26)	18(20)	18(25)	10(29)	21(25)	80(26)
Kansas	12(28)	10(30)	8(33)	13(26)	21(25)	64(28)
Louisiana	24(16)	13(27)	19(23)	19(21)	19(27)	94(24)
Oklahoma	32(12)	23(15)	26(20)	21(19)	19(27)	121(18)
Utah	7(34)	8(34)	12(32)	9(30)	16(29)	52(31)
Oregon	11(29)	7(35)	15(27)	8(32)	15(30)	56(30)
New Hampshire	9(32)	9(32)	4(38)	11(28)	14(31)	47(33)
South Carolina	7(34)	10(30)	13(30)	7(36)	13(32)	50(32)
Iowa	14(25)	18(20)	16(26)	3(42)	12(33)	63(29)
District of Columbia	5(38)	4(40)	3(40)	6(37)	9(34)	27(39)
Rhode Island	6(37)	3(42)	5(36)	8(32)	9(34)	31(36)
Arkansas	4(41)	2(45)	15(27)	9(30)	7(36)	37(34)
Nevada	4(41)	7(35)	5(36)	4(38)	7(36)	27(39)
New Mexico	3(44)	9(32)	6(35)	4(38)	7(36)	29(37)
Maine	5(38)	5(38)	4(38)	8(32)	6(39)	28(38)
Nebraska	7(34)	3(42)	7(34)	4(38)	5(40)	26(41)
Montana	3(44)	4(40)	2(43)	2(43)	3(41)	14(44)
South Dakota	—(51)	5(38)	2(43)	1(50)	3(41)	11(45)
Vermont	2(47)	1(48)	2(43)	1(51)	3(41)	9(46)
Wyoming	5(38)	7(35)	1(50)	2(43)	3(41)	18(43)
Alaska	4(41)	1(46)	—(51)	1(47)	2(45)	8(48)
Idaho	2(47)	1(47)	1(48)	1(49)	2(45)	7(50)
Mississippi	9(32)	11(28)	2(43)	8(32)	2(45)	32(35)
West Virginia	10(30)	1(49)	2(43)	4(38)	2(45)	19(42)
Hawaii	1(50)	3(42)	3(40)	1(48)	1(49)	9(46)
North Dakota	2(47)	—(51)	1(49)	2(43)	1(49)	6(51)
Delaware	3(44)	—(50)	3(40)	2(43)	—(51)	8(48)
Number Disclosing Location	1,219	1,197	1,412	1,406	1,755	6,989

Source: W. T. Grimm & Co.

Figure 55.

NUMBER OF BUYERS RANKED BY STATES

	Number of Buyers (Rank)					
	1981	1982	1983	1984	1985	Five Year Total
New York	176(1)	168(1)	213(1)	223(1)	226(1)	1,006(1)
California	127(3)	120(2)	158(2)	199(2)	216(2)	820(2)
Ohio	61(5)	50(8)	45(10)	74(6)	110(3)	340(5)
Illinois	79(4)	110(3)	108(4)	87(5)	99(4)	483(4)
Texas	146(2)	109(4)	134(3)	110(3)	92(5)	591(3)
Pennsylvania	29(11)	59(6)	68(7)	97(4)	86(6)	339(6)
New Jersey	29(11)	59(5)	80(5)	58(7)	67(7)	293(7)
Florida	52(6)	44(10)	60(9)	52(10)	59(8)	267(9)
Connecticut	48(7)	39(11)	73(6)	54(9)	54(9)	268(8)
Michigan	38(8)	32(13)	28(16)	36(13)	53(10)	187(13)
Georgia	22(15)	47(9)	62(8)	56(8)	51(11)	238(10)
Massachusetts	36(9)	29(14)	45(10)	43(11)	47(12)	200(11)
Minnesota	32(10)	52(7)	33(13)	35(14)	42(13)	194(12)
Virginia	28(13)	33(12)	29(15)	27(15)	40(14)	157(15)
Colorado	16(17)	28(15)	30(14)	42(12)	35(15)	151(16)
Missouri	26(14)	27(16)	45(10)	26(18)	35(15)	159(14)
Wisconsin	18(16)	19(17)	21(20)	27(15)	35(15)	120(17)
Indiana	9(23)	18(18)	19(22)	11(25)	32(18)	89(21)
North Carolina	12(19)	13(22)	20(21)	19(20)	26(19)	90(20)
Maryland	10(21)	16(20)	23(19)	27(15)	23(20)	99(19)
Tennessee	9(23)	12(23)	28(16)	23(19)	22(21)	94(18)
New Hampshire	3(32)	4(33)	3(42)	9(30)	19(22)	38(28)
Washington	10(21)	11(25)	14(23)	11(25)	17(23)	63(23)
Alabama	8(27)	12(23)	13(24)	9(30)	15(24)	57(24)
Kansas	1(41)	9(27)	13(24)	11(25)	13(25)	47(27)
Kentucky	11(20)	5(32)	5(34)	16(22)	12(26)	49(25)
Oklahoma	15(18)	17(19)	26(18)	17(21)	12(26)	87(22)
Utah	1(44)	4(33)	10(28)	10(28)	12(26)	37(31)
Iowa	9(23)	15(21)	7(30)	6(33)	11(29)	48(26)
Nebraska	3(32)	4(33)	4(39)	14(23)	11(29)	36(33)
Louisiana	8(27)	4(33)	6(31)	10(28)	10(31)	38(28)
Arizona	4(30)	8(28)	9(29)	7(32)	9(32)	37(31)
Rhode Island	2(38)	3(41)	12(26)	12(24)	9(32)	38(28)
District of Columbia	6(29)	6(30)	5(34)	4(35)	8(34)	29(34)
New Mexico	1(42)	6(30)	6(31)	2(42)	7(35)	22(38)
Oregon	9(23)	4(33)	4(39)	5(34)	7(35)	29(34)
Arkansas	3(32)	3(41)	11(27)	2(42)	6(37)	25(37)
Nevada	1(43)	4(33)	3(42)	3(38)	6(37)	17(40)
Idaho	3(32)	—(50)	—(48)	4(35)	3(39)	10(45)
Maine	2(38)	2(45)	5(34)	3(38)	3(39)	15(41)
South Carolina	3(32)	8(28)	5(34)	3(38)	3(39)	22(38)
West Virginia	1(46)	1(49)	—(51)	1(50)	3(39)	6(46)
Delaware	3(32)	2(45)	5(34)	1(46)	2(43)	13(42)
Wyoming	—(51)	4(33)	4(39)	2(42)	2(43)	12(43)
Hawaii	2(38)	4(33)	2(44)	3(38)	1(45)	12(43)
Mississippi	4(30)	11(25)	6(31)	4(35)	1(46)	26(36)
Vermont	1(45)	1(48)	—(50)	1(49)	1(47)	4(48)
Alaska	—(47)	1(47)	2(44)	1(45)	—(48)	4(48)
Montana	—(48)	3(41)	—(49)	—(51)	—(49)	3(50)
North Dakota	—(49)	—(51)	1(46)	1(47)	—(50)	2(51)
South Dakota	—(50)	3(41)	1(47)	1(58)	—(51)	5(47)
Number Disclosing Location	1,117	1,243	1,504	1,499	1,653	7,016

Source: W. T. Grimm & Co.

Figure 56.

REGIONAL RANKING

Region	Number of Sellers (Rank) 1981	1982	1983	1984	1985	Five Year Total
Middle Atlantic	233(2)	287(1)	305(1)	320(2)	454(1)	1,599(1)
Midwest	276(1)	250(2)	292(2)	258(3)	399(2)	1,475(2)
Southwest	194(4)	208(3)	283(3)	334(1)	350(3)	1,369(3)
Southeast	172(5)	175(4)	191(5)	172(4)	212(4)	922(4)
South Central	217(3)	166(5)	192(4)	166(5)	147(5)	888(5)
New England	88(6)	73(6)	98(6)	116(6)	139(6)	514(6)
Northwest	34(7)	34(7)	48(7)	38(7)	51(7)	205(7)
Alaska & Hawaii	5(8)	4(8)	3(8)	2(8)	3(8)	17(8)
Totals	1,219	1,197	1,412	1,406	1,755	6,989

Region	Number of Buyers (Rank) 1981	1982	1983	1984	1985	Five Year Total
Middle Atlantic	293(1)	349(1)	428(1)	454(1)	467(1)	1,991(1)
Midwest	276(2)	339(2)	325(2)	329(2)	441(2)	1,710(2)
Southwest	150(4)	170(3)	216(3)	263(3)	285(3)	1,084(3)
Southeast	110(5)	147(4)	194(4)	166(4)	177(4)	794(4)
New England	92(6)	78(6)	138(6)	122(6)	133(5)	563(6)
South Central	172(3)	133(5)	177(5)	139(5)	120(6)	741(5)
Northwest	22(7)	22(7)	22(7)	22(7)	29(7)	117(7)
Alaska & Hawaii	2(8)	5(8)	4(8)	4(8)	1(8)	16(8)
Totals	1,117	1,243	1,504	1,499	1,653	7,016

Middle Atlantic: New York, Pennsylvania, New Jersey, Delaware, Maryland, West Virginia, Virginia, Washington, D. C., Kentucky.

Midwest: North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan Indiana, Ohio.

Southwest: California, Nevada, Utah, Colorado, Arizona, New Mexico.

South Central: Texas, Oklahoma, Arkansas, Louisiana.

Southeast: Florida, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Tennessee.

New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Northwest: Washington, Oregon, Idaho, Montana, Wyoming.

Source: W. T. Grimm & Co.

Figure 57.

CANCELLATIONS

There were 236 terminated transactions in 1985, representing 7% of gross merger and acquisition announcements. This compares with 218 or 8% in 1984. Figure 58 charts the number of gross merger and acquisition announcements, cancelled transactions, net merger and acquisition announcements, and cancellations as a percentage of gross merger activity since 1969.

As the figure shows, cancellations have ranged from 6% to 10% of the gross total number of transactions. The 10% cancellation rates in 1974 and 1975 were attributable to declining stock prices and the resulting difficulty in reaching mutually agreeable exchange ratios. The same held true for 1969 and 1970, when terminations comprised 9% of all deals. The 9% rates in 1979 and 1980 were largely due to the historic and dramatic climb in interest rates. The prime rate rose from 13 1/4% in October, 1979 to 20% in April, 1980, only to be followed by a rapid decline to 11% in the summer months and a wild comeback to 20% which was surpassed by 21 1/2% in December, 1980. Not only did high interest rates lessen the availability of adequate financing, but the extremely volatile movement of the prime lending rate coupled with double-digit inflation created further obstacles to closing deals. Due to such breakneck economic swings, terms of acquisition agreements became obsolete, resulting in cancellations.

Among those cancellations identifying cause of termination, inability to agree on terms is the most frequently cited reason every year, followed by the intrusion of competing bidders and economic conditions.

CANCELLATIONS
1969—1985

Year	Gross M & A Announcements	Cancellations	Net M & A Announcements	Cancellations as a % of Gross Announcements
1969	6,727	620	6,107	9%
1970	5,679	527	5,152	9%
1971	4,940	332	4,608	7%
1972	5,116	315	4,801	6%
1973	4,364	324	4,040	7%
1974	3,169	308	2,861	10%
1975	2,564	267	2,297	10%
1976	2,453	177	2,276	7%
1977	2,374	150	2,224	6%
1978	2,277	171	2,106	8%
1979	2,347	219	2,128	9%
1980	2,067	178	1,889	9%
1981	2,558	163	2,395	6%
1982	2,535	189	2,346	7%
1983	2,695	162	2,533	6%
1984	2,761	218	2,543	8%
1985	3,237	236	3,001	7%

Source: W. T. Grimm & Co.

Figure 58.

The twenty largest cancellations are catalogued in Figure 59. Where available, the reason for each termination is also provided.

TWENTY LARGEST CANCELLATIONS
1985

Buyer Seller	Approximate Value (millions)	Reason for Cancellation
Private Group (led by T. Boone Pickens) Unocal Corp. (remaining 86.4%)	$ 8,104.8	Having rejected Pickens' offer for the remaining 86.4% of its shares outstanding, Unocal initiated a partial buyback of its own shares which excluded Pickens' holdings. The Delaware Supreme Court upheld Unocal's discriminatory offer. Unocal finally agreed to a net buyback of 32% of Pickens' Unocal stock.
Private Group (led by Carl Icahn) Phillips Petroleum Co.	8,056.4	Phillips reached a pact with Icahn, ending his hostile bid, and paying him $25 million for costs incurred. Phillips also implemented a recapitalization plan.
Hospital Corp. of America American Hospital Supply Corp.	6,758.7	Pressured by its shareholders, American Hospital agreed to be acquired by Baxter Traveno Laboratories Inc. for $3,702.6 million, thus terminating the proposed statutory merger with Hospital Corp. of America. The merger's value represented the sum of the participants' respective market values.
Turner Broadcasting Co. CBS, Inc.	5,200.7	Turner withdrew and instead agreed to acquire MGM/UA Entertainment Co. In the meantime, CBS, having rejected Turner's offer as grossly inadequate, implemented a recapitalization plan.
Occidental Petroleum Corp. Diamond Shamrock Corp.	3,508.9	Could not reach an agreement.
Burroughs Corp. Sperry Corp.	3,383.3	Could not reach an agreement.
Comcast Corp. Storer Communications, Inc.	1,842.1	Storer rejected offer and initiated its own management buyout valued at $1,569.3 million.
Private Group (led by Forstmann, Little & Co. and included Revlon mgmt.) Revlon, Inc.	1,617.5	Faced with a hostile $56.25 a share bid from Pantry Pride Inc., Revlon had agreed to a $55 a share buyout by Forstmann. In order to lock-up its favored deal, Revlon granted Forstmann the exclusive right to purchase two of Revlon's highly prized businesses. Pantry Pride sued and a Delaware court outlawed the use of illegal lock-up provisions. Revlon finally accepted Pantry Pride's sweetened $58 a share offer totalling $1,638.7 million.
Unilever PLC — United Kingdom Richardson-Vicks, Inc.	1,401.2	Richardson rejected offer and accepted a $1,611.4 million white knight offer from Procter & Gamble Co.
Private Group (led by Jack Kent Cooke) Multimedia, Inc. (remaining 90.3%)	1,053.4	Multimedia rejected Cooke's bid and agreed to repurchase its shares held by Cooke.
Lorimar, Inc. Multimedia, Inc.	1,016.4	Multimedia rejected offer and proceeded with its own recapitalization plan.
Private Group (led by Donald P. Kelly and Oppenheimer & Co.) Northwest Industries, Inc.	993.1	Group was unable to obtain necessary financing. A few months later, Northwest agreed to be acquired by Chicago investor, William F. Farley, for $994.6 million.
Forstmann, Little & Co. McGraw-Edison Co.	977.2	McGraw-Edison accepted $1,076.6 million offer from Cooper Industries, Inc.
Time, Inc. and Tele-Communications, Inc. Warner Amex Cable Communications, Inc.	900.0	Warner Communications purchased the 50% interest of Warner Amex Cable held by American Express Co. for $450 million. Warner Amex was equally held by Warner and American Express, which had initially agreed to sell its interest to Time, thereby putting pressure on Warner Communications to sell its interest or purchase the remainder of Warner Amex.
Texas Air Corp. Trans World Airlines	899.1	TWA rejected offer and agreed to be acquired by Carl Icahn. TWA also agreed to pay $18 million to Texas Air in satisfaction of termination.
Private Group (led by Sir James Goldsmith) Crown Zellerbach Corp.	807.5	Goldsmith withdrew his hostile bid after Crown adopted a poison pill defense strategy. Goldsmith, however, was able to gain a 52% interest in Crown by accumulating Crown shares on the open market.
Security Pacific Corp. Control Data Corp. (Commercial Credit Co.)	800.0	Could not reach an agreement.
Private Group (led by Amsted mgmt. and included an ESOP) Amsted Industries, Inc.	705.2	Group withdrew and indicated it was working on an alternative proposal.
First City Financial Corp. — Canada Potlatch Corp.	692.4	Potlatch rejected offer and repurchased its shares held by First City.
L.P. Media, Inc. Evening News Association	566.3	Evening News agreed to be acquired by Gannett Co. for $717.1 million.

Source: W. T. Grimm & Co.

Figure 59.

COMMENTARY/OUTLOOK

Mergers, acquisitions and divestitures increased in each of the last three years, reaching a twelve-year record in 1985 with 3,001 transactions. At the same time, the dollar volume of activity set new records in each of the last two years, surging to $179.8 billion in 1985. This faster-paced and robust level of activity is a by-product of two major forces dominating the corporate landscape:(1) financial and/or operational restructuring, and (2) the accessibility of a variety of financing sources.

Corporate restructuring is a term used to describe an overall shift in a company's strategic policies. Financial restructuring consists of efforts to reorganize or alter a company's financial state, while operational restructuring refers to a major change in a corporation's commercial activities. Financial restructuring techniques include stock repurchases or buybacks, leveraged buyouts, and debt rescheduling. Operational restructuring entails the purchase or sale of essential businesses.

The current wave of restructuring reflects a widespread corporate response to a disinflationary economic environment at home and intensified competition from foreign economies. As inflation began its downward spiral, companies could no longer cover their costs with price hikes. Foreign competition added further pressure to withhold price increases. Market growth and penetration were the key ingredients to improving sales and profits. Consequently, companies instituted programs stressing cost-cutting, quality control, product expansion and diversification, and debt management. The underlying goal is the establishment of efficient and leaner operations to withstand the pressures of changing economic and market conditions, and the ultimate reward for restructuring iniatives is an increase in the company's stock price.

A more recent powerful motivation for restructuring is the fear of corporate raiders and hostile takeover attempts. Since low stock valuations and high asset values attract these agressive investors, corporate managers are implementing restructuring programs that will result in higher stock prices for their companies.

The easy availability of financing is the second most significant factor fueling merger and acquisition activity. Deregulation of the financial service industry, the development of the commercial paper market, and the growing risk of third world loans prompted banks to aggressively pursue the more lucrative area of acquisition financing. In addition to the commercial banks' participation, the creation of pooled funds has also brought additional capital to the acquisition arena, particularly the leveraged buyout market. Also noteworthy is an increasing willingness among foreign financial institutions to participate in acquisition funding. Most important, however, has been the ever-growing usage of high-yielding, low-rated(junk) securities.

Junk bond financing has been instrumental in enabling corporate raiders and mid-sized companies to launch hostile takeovers, with some battles even resulting in the takeover of a billion dollar company by a firm half the size. Concern over hostile offers grew throughout the past year, finally prompting the Federal Reserve Board to issue a rule governing the use of junk bonds in takeovers. Adopted on January 8, 1986, the rule limits the use of junk bonds issued by shell corporations to 50% of the purchase price of a target company, and applies only to hostile takeovers. While the new Federal Reserve ruling was designed to curtail hostile activity, critics maintain that the junk bond restriction is so narrow in the types of corporations affected that it will have a negligible effect on hostile takeovers. For instance, the margin requirements involve only transactions in which a shell corporation, not an operating company, is used as an acquisition vehicle. Furthermore, in those cases where a shell corporation is utilized, the takeover will be exempt from margin requirements if the debt securities are guaranteed by the parent company. In view of the fact that hostile takeovers account for a very small percentage of overall merger-acquisition activity, let alone hostile takeovers involving junk bond issues, the Federal Reserve ruling will hardly make a dent in corporate takeover activity.

The poison pill is also expected to dampen hostile takeover activity. Since the Delaware Supreme Court upheld the validity of the poison pill defense strategy in November, 1985, a growing number of companies have adopted this popular shark repellent. Critics, again, argue that the pill thwarts only two-tier tender

offers which do not amount to a significant portion of activity. Hence, the poison pill should not have a material effect on acquisition activity.

The recent explosive rise in the stock market, however, will most likely serve as a brake on hostile acquisitions. With stock prices on the upswing, hostile offers will be more expensive and difficult to pursue. At the same time, the bullish stock market will further stimulate friendly and strategic alliances by prompting companies to consider their stock as the medium of payment in an acquisition. Companies that have sat out the current merger spree may now actively pursue acquisitions provided their stocks are selling at high multiples.

The stock market rally has had a greater effect on blue-chip and primary stocks, rather than secondary stocks. Consequently, while billion dollar deals may subside, middle market acquisitions — transactions in the $25 million to $500 million range — should continue to increase.

Industries that will witness a higher rate of acquisitions include banking and high-technology. Bank mergers should surpass the level attained in 1985. More states, especially in the Midwest, have enacted, or are in the process of enacting, regional banking legislation. This will provide ample acquisition opportunities and further spread banking acquisitions from the already active Southeast and New England areas to other parts of the country. As the high-tech industry continues to undergo competitive pressures, more companies will consolidate their operations to fund growth and research and development activities.

On the whole, as the U. S. economy continues to move away from manufacturing toward services, acquisition activity among service companies will increase. In fact, if the present tax reform legislation is enacted, service companies will become prime acquisition candidates because they will not suffer from the loss of the investment tax credit and will gain the benefit of lower tax rates.

Merger and acquisition activity in 1986 will depend on the continuing need to restructure and the ability to tap financing sources. With competition both at home and abroad persisting in many markets, and with no substantial shift expected on the inflation front, the level of 1986 activity will approach that of 1985, but will lag 1985's record dollar volume.

TWENTY-THREE YEAR STATISTICAL REVIEW

		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
Net M & A Announcements		1,361	1,950	2,125	2,377	2,975	4,462	6,107	5,152	4,608	4,801	4,040
Total Dollar Value Paid *(billions of dollars)*		*	*	*	*	*	43.6	23.7	16.4	12.6	16.7	16.7
$100 Million–Plus Deals		*	*	*	*	*	46	24	10	7	15	28
Method of Payment	Cash	*	64%	67%	60%	36%	29%	32%	29%	32%	34%	41%
	Stock	*	36%	30%	35%	60%	62%	57%	52%	49%	51%	44%
	Combination	*	*	3%	5%	4%	9%	11%	16%	17%	14%	14%
	Debt	#	#	#	#	#	#	#	3%	2%	1%	1%
Divestitures		*	*	191	264	328	557	801	1,401	1,920	1,770	1,557
Acquisitions of Publicly Traded Sellers		*	*	*	*	*	*	*	*	*	*	*
Acquisitions of Privately Held Sellers		*	*	*	*	*	*	*	*	*	*	*
Total Foreign Sellers		*	*	*	*	*	*	*	*	*	531	323
Total Foreign Buyers		*	*	*	*	*	*	*	*	*	88	143
Average P/E Paid		*	20.7	19.4	16.5	17.6	24.6	21.0	23.1	24.3	21.4	18.9
Average Premium Paid Over Market		*	*	*	*	*	25.1	25.7	33.4	33.1	33.8	44.5
Cancelled Transactions		*	*	*	*	*	*	620	527	332	315	324

**Item not tracked during that year.*

 # A separate count for debt payments began in 1970.

TWENTY-THREE YEAR STATISTICAL REVIEW (Continued)

		1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Net M & A Announcements		2,861	2,297	2,276	2,224	2,106	2,128	1,889	2,395	2,346	2,533	2,543	3,001
Total Dollar Value Paid *(billions of dollars)*		12.5	11.8	20.0	21.9	34.2	43.5	44.3	82.6	53.8	73.1	122.2	179.8
$100 Million–Plus Deals		15	14	39	41	80	83	94	113	116	138	200	270
Method of Payment	Cash	48%	48%	52%	54%	46%	53%	47%	42%	38%	32%	43%	51%
	Stock	33%	27%	26%	26%	30%	26%	31%	34%	29%	35%	26%	23%
	Combination	16%	23%	20%	18%	23%	20%	21%	23%	31%	33%	30%	26%
	Debt	3%	2%	2%	2%	1%	1%	1%	1%	2%	—	1%	—
Divestitures		1,331	1,236	1,204	1,002	820	752	666	830	875	932	900	1,218
Acquisitions of Publicly Traded Sellers		68	130	163	193	260	248	173	168	180	190	211	336
Acquisitions of Privately Held Sellers		*	*	856	971	969	1,049	988	1,330	1,222	1,316	1,351	1,358
Total Foreign Sellers		257	178	126	112	98	119	102	101	121	146	147	175
Total Foreign Buyers		173	184	178	162	199	236	187	234	154	125	151	197
Average P/E Paid		13.5	13.3	15.1	13.8	14.3	14.3	15.2	15.6	13.9	16.7	17.2	18.0
Average Premium Paid Over Market		50.1	41.4	40.4	40.9	46.2	49.9	49.9	48.0	47.4	37.7	37.9	37.1
Cancelled Transactions		308	267	177	150	171	219	178	163	189	162	218	236

**Item not tracked during that year.*

THE W. T. GRIMM & CO. RECORD HOLDERS

Item	Record	Year Attained
Net Merger & Acquisition Announcements	6,107	1969
Total Dollar Value Paid	$179.8 billion	1985
$100 Million-Plus Deals	270	1985
Cash Payments	67%	1965
Stock Payments	62%	1968
Combination Payments	33%	1983
Divestitures	1,920	1971
Acquisitions of Publicly Traded Sellers	336	1985
Acquisitions of Privately Held Sellers	1,358	1985
Foreign Sellers	531	1972
Foreign Buyers	236	1979
Average P/E Paid	24.6X	1968
Average Premium Paid Over Market	50.1%	1974

Selected Acquisition Record Holders

Buyer / Seller	Price Paid (millions)	Year Announced
Largest Acquisitions in U.S. Corporate History		
1. Chevron Corp. Gulf Corp.	$13,205.6	1984
2. Texaco, Inc. Getty Oil Co.	10,128.9	1984
3. DuPont Co. Conoco, Inc.	8,039.8	1981
Largest Non-Oil Acquisitions in U.S. Corporate History		
1. General Electric Corp. RCA Corp.	5,965.1	1985
2. Philip Morris Cos. General Foods Corp.	5,627.5	1985
3. Kohlberg, Kravis, Roberts & Co. Beatrice Cos.	5,361.6	1985
Largest Acquisitions of Publicly Traded Sellers		
1. Chevron Corp. Gulf Corp.	13,205.6	1984
2. Texaco, Inc. Getty Oil Co.	10,128.9	1984
3. DuPont Co. Conoco, Inc.	8,039.8	1981
Largest Statutory Mergers		
1. Santa Fe Industries, Inc. Southern Pacific Co.	5,099.1	1983
2. Connecticut General Corp. INA Corp.	4,211.7	1981
3. Kraft, Inc. Dart Industries, Inc.	2,400.0	1980
Largest Acquisitions of Privately Owned Sellers		
1. General Motors Co. Hughes Aircraft Co.	5,025.0	1985
2. Shell Oil Co. Belridge Oil Co.	3,653.0	1979
3. Rockwell International Corp. Allen-Bradley Co.	1,650.0	1985
Largest Divestitures		
1. Broken Hill Proprietary Co.—Australia General Electric Co. (Utah International Inc.)	2,400.0	1983
2. Sun Co., Inc. Seagram Co. Ltd.—Canada (Texas Pacific Oil Co.)	2,300.0	1980
3. Olympia & York Developments Ltd.—Canada Chevron Corp. (its 60.2% interest in Gulf Canada Ltd.)	2,042.3	1985

Buyer Seller	Price Paid (millions)	Year Announced
Largest Acquisitions of U.S. Companies by Foreign Buyers		
1. Royal Dutch/Shell Group—Netherlands Shell Oil Co.-remaining 30.5%	$ 5,467.9	1984
2. Societe Nationale Elf Aquitaine—France Texasgulf, Inc.	4,293.7	1981
3. Nestle S.A.—Switzerland Carnation Co.	2,885.4	1984
Largest Acquisitions of Foreign Companies by U. S. Buyers		
1. Sun Co., Inc. Seagram Co. Ltd.—Canada (Texas Pacific Oil Co.)	2,300.0	1980
2. Superior Oil Co. Canadian Superior Oil Ltd.—Canada remaining 47%	576.4	1979
3. Marsh & McLennan C. T. Bowring & Co.—Britain	554.7	1980
Largest Going Private Transactions		
1. Kohlberg, Kravis, Roberts & Co. Beatrice Cos.	5,361.6	1985
2. Private Group—Macy's mgmt. R. H. Macy & Co.	3,484.7	1985
3. Private Group—Storer's mgmt. Storer Communications, Inc.	1,569.3	1985
Largest Unit Management Buyouts		
1. Private Group—led by Kohlberg, Kravis Allied Corp. (50% of Union Texas Petroleum)	1,700.0	1985
2. Private Group—led by Kohlberg, Kravis City Investing Co. (Rheem Mfg. Co., World Color Press Inc., Uarco Inc.)	1,251.0	1984
3. Private Group—unit's mgmt. DuPont Co. (certain chemical assets)	600.0	1983
Largest Cancellations		
1. Mobil Corp. Conoco, Inc.	8,845.8	1981
2. Private Group—led by T. Boone Pickens Unocal Corp.	8,104.8	1985
3. Private Group—led by Carl Icahn Phillips Petroleum Corp.	8,056.4	1985

Buyer Seller	Price Paid (millions)	Year Announced
Industry Record Holders		
Agricultural Production		
1. Loews Theatres Lorillard Corp.	$ 727.4	1968
2. Shamrock Holdings Central Soya Co.	301.9	1985
3. Private Group Gulf & Western Industries, Inc. (all sugar operations in Florida and Dominican Republic)	200.0	1984
Food Processing		
1. Philip Morris Co. General Foods Corp.	5,627.5	1985
2. Kohlberg, Kravis, Roberts & Co. Beatrice Cos.	5,361.6	1985
3. R.J. Reynolds Industries, Inc. Nabisco Brands, Inc.	4,906.4	1985
Beverages		
1. Pepsico, Inc. MEI Corp.	683.0	1985
2. Beatrice Foods Co. Northwest Industries, Inc. (Beverage Group)	600.0	1981
3. Private Group Dr. Pepper Co.	512.2	1983
Apparel		
1. Private Group Levi Strauss & Co.	1,108.2	1985
2. Private Group Blue Bell, Inc.	522.3	1984
3. West Point-Pepperell, Inc. Cluett Peabody & Co.	330.9	1985
Textiles		
1. Pacific Holding Corp. Cannon Mills Co.	412.8	1982
2. Private Group Cone Mills Corp.	385.1	1983
3. Private Group Albany International Corp.	270.4	1983

Buyer Seller	Price Paid (millions)	Year Announced
Timber & Forest Products		
1. Champion International Corp. St. Regis Corp.	$ 1,813.7	1984
2. Maxxam Group, Inc. Pacific Lumber Co.	828.6	1985
3. International Paper Co. Bodcaw Co.	805.0	1979
Paper		
1. Canadian Pacific Enterprises---Canada International Paper Co. (Canadian International Paper Co.)	880.0	1981
2. Johns-Manville Corp. Olinkraft, Inc.	581.2	1978
3. James River Corp. American Can Co. (Dixie towel, tissue and folding carton businesses)	420.0	1982
Packaging & Containers		
1. Kiewit-Murdock Investment Co. Continental Group Inc.	2,482.0	1984
2. Fort Howard Paper Co. Maryland Cup Corp.	535.1	1983
3. Stone Container Corp. Champion International Corp. (packaging business)	457.0	1985
Furniture		
1. Fibic Corp. Congoleum Corp.	446.6	1979
2. Masco Corp. Merrillat Industries, Inc.	219.3	1985
3. Interco, Inc. Broyhill Furniture	151.5	1980
Building Products & Materials		
1. U. S. Gypsum Co. Masonite Corp.	377.9	1984
2. Genstar Ltd. Flintkote Co.	305.8	1979
3. Clevepak Corp. Interpace Corp.	138.5	1983
Household Goods		
1. Brown-Forman Distillers Corp. Lenox, Inc.	814.3	1983
2. Chicago Pacific Corp. Hoover Co.	534.1	1985
3. Allegheny International, Inc. Sunbeam Corp.	475.7	1981

Buyer Seller	Price Paid (millions)	Year Announced
Printing & Publishing		
1. Gannett Co., Inc. Evening News Association	$ 717.1	1985
2. Gulf & Western Industries Inc. Prentice-Hall, Inc.	705.3	1984
3. Private Group Harte-Hanks Communications, Inc.	526.3	1984
Chemicals, Paints & Coatings		
1. Chesebrough-Pond's Inc. Stauffer Chemical Co.	1,218.0	1985
2. Imperial Chemical Industries PLC—United Kingdom Beatrice Cos. (Chemical operations)	750.0	1984
3. Avon Products, Inc. Mallinckrodt, Inc.	709.5	1981
Drugs, Medical Supplies & Equipment		
1. Baxter Travenol Laboratories, Inc. American Hospital Supply Corp.	3,702.6	1985
2. Monsanto Co. G. D. Searle & Co.	2,717.1	1985
3. Procter & Gamble Co. Richardson-Vicks, Inc.	1,611.4	1985
Toiletries & Cosmetics		
1. Pantry Pride, Inc. Revlon, Inc.	1,638.7	1985
2. Norton Simon, Inc. Max Factor & Co.	474.2	1972
3. Private Group Mary Kay Cosmetics, Inc. (rem. 70%)	405.1	1985
Plastics & Rubber		
1. Private Group Uniroyal, Inc.	747.3	1985
2. Envirodyne Industries, Inc. Union Carbide Corp. (film packaging division)	230.0	1985
3. Private Group American Cyanamid Co. (Formica plastic laminate business)	200.0	1984
Stone, Clay & Glass		
1. Kennecott Copper Carborundum Co.	525.1	1977
2. California Portland Cement Co. Conrock Co.	358.0	1984
3. Canada Cement Lafarge Ltd —Canada General Portland, Inc.	325.6	1981

Buyer Seller	Price Paid (millions)	Year Announced
Primary Metal Processing		
1. Alcan Aluminum Ltd.—Canada Atlantic Richfield Co. (aluminum operations)	$ 896.0	1984
2. LTV Corp. Republic Steel Corp.	744.8	1983
3. Atlantic Richfield Co. Anaconda Co.	678.9	1976
Fabricated Metal Products		
1. Household International, Inc. Wallace Murray Corp.	332.0	1981
2. International Telephone & Telegraph Corp. Grinnell Corp.	251.2	1968
3. Armco, Inc. Ladish Co.	248.9	1981
Industrial & Farm Equipment/Machinery		
1. J. Ray McDermott Babcock & Wilcox	720.1	1977
2. Wheelabrator-Frye, Inc. Pullman, Inc.	584.6	1980
3. American Standard, Inc. Trane Co.	511.3	1983
Construction Mining & Oil Field Machinery/Equipment		
1. Cooper Industries, Inc. Gardner-Denver Co.	629.3	1979
2. Esco Corp. Hyster Co.	340.5	1983
3. Penn Central Corp. Marathon Manufacturing Co.	333.9	1979
Valves Pumps & Hydraulics		
1. McGraw-Edison Co. Studebaker-Worthington, Inc.	727.8	1979
2. Reading Co. Gould, Inc. (Industrial Products Group)	380.0	1981
3. Libbey-Owens-Ford Co. Sperry Corp. (Vickers unit)	265.0	1983

Buyer Seller	Price Paid (millions)	Year Announced
Autos & Trucks		
1. Toyo Kogyo Ltd.—Japan Ford Motor Co. (Ford Industries Co.)	$ 400.0	1979
2. Daimler Benz—West Germany Consolidated Freightways, Inc. (Freightliner Corp.)	255.0	1981
3. LTV Corp. American Motors Corp. (AM General Corp.)	170.0	1983
Automotive Products & Accessories		
1. Johnson Controls, Inc. Hoover Universal, Inc.	487.3	1985
2. P.S.A. Peugeot Citroen—France Chrysler Corp. (all its European car & truck-making operations)	426.0	1978
3. Thyssen AG—West Germany Budd Co.	245.9	1978
Electrical Equipment		
1. IBM Corp. Rolm Corp.	1,245.8	1984
2. Exxon Corp. Reliance Electric Co.	1,160.0	1979
3. Cooper Industries, Inc. McGraw-Edison Co.	1,076.6	1985
Office Equipment & Computer Hardware		
1. Xerox Corp. Scientific Data Systems, Inc.	999.9	1969
2. Harris Corp. Lanier Business Products, Inc.	358.0	1983
3. American Telephone & Telegraph Corp. Ing. C. Olivetti & Co.—Italy (25%)	260.0	1983
Electronics		
1. Allied Corp. Signal Cos.	4,476.1	1985
2. Rockwell International Corp. Allen-Bradley Co.	1,650.0	1985
3. Penn Central Corp. GK Technologies, Inc.	699.6	1981

Buyer Seller	Price Paid (millions)	Year Announced
Aerospace, Aircraft & Defense		
1. General Motors Co. Hughes Aircraft Co.	$ 5,025.0	1985
2. Bendix Corp. Martin Marietta Corp. (70%)	1,118.3	1982
3. Chrysler Corp. Gulfstream Aerospace Corp.	640.6	1985
Instruments & Photographic Equipment		
1. SmithKline Corp. Beckman Instruments, Inc.	1,045.1	1981
2. Litton Industries, Inc. Itek Corp.	238.5	1983
3. Monsanto Co. Fisher Governor Co.	130.6	1969
Toys & Recreational Products		
1. Hasbro Industries, Inc. Milton Bradley Co.	352.0	1984
2. Private—J. Tramiel Warner Communications, Inc. (Atari Inc.)	240.0	1984
3. Wesray Corp. Pepsico, Inc. (Wilson Sporting Goods)	150.0	1985
Miscellaneous Manufacturing		
1. Hallmark Cards, Inc. Binney & Smith, Inc.	203.8	1984
2. Textron, Inc. Talon, Inc.	203.8	1968
3. Allied-Signal, Inc. Oak Industries, Inc. (Materials Group)	160.0	1985
Oil & Gas		
1. Chevron Corp. Gulf Corp.	13,205.6	1984
2. Texaco, Inc. Getty Oil Co.	10,128.9	1984
3. DuPont Co. Conoco, Inc.	8,039.8	1981
Mining & Minerals		
1. Societe Nationale Elf Aquitaine—France Texasgulf, Inc.	4,293.7	1981
2. Fluor Corp. St. Joe Minerals Corp.	2,694.2	1981
3. Broken Hill Proprietary Co.—Australia General Electric Co. (Utah International, Inc.)	2,400.0	1983

Buyer Seller	Price Paid (millions)	Year Announced
Transportation		
1. Santa Fe Industries, Inc. Southern Pacific Co.	$ 5,099.1	1983
2. Southern Railway Norfolk & Western Railway	1,730.2	1980
3. Chessie System, Inc. Seaboard Coast Line Industries, Inc.	1,037.5	1978
Communications		
1. GTE Corp. Southern Pacific Co. (Sprint and Spacenet units)	750.0	1982
2. MCI Communications Corp. International Business Machines Corp. (Satellite Business Systems)	459.4	1985
3. Mid-Continent Telephone Co. Allied Telephone Co.	434.9	1983
Broadcasting		
1. Capital Cities Communications, Inc. American Broadcasting Cos.	3,526.8	1985
2. Group of Cos. Westinghouse Electric Corp. (Group W Cable)	1,600.0	1985
3. Private Group Metromedia, Inc.	1,467.9	1983
Electric, Gas, Water & Sanitary Services		
1. Cleveland Electric Illuminating Co. Toledo Edison Co.	2,386.0	1985
2. Waste Management, Inc. and Genstar Corp. SCA Services, Inc.	407.2	1984
3. American Electric Power Co. Columbus & Southern Ohio Electric Co.	387.4	1980
Wholesale & Distribution		
1. Private Group Malone & Hyde, Inc.	548.3	1984
2. Wesray Capital Corp. Beneficial Corp. (Western Auto Supply Co.)	300.0	1985
3. Genuine Parts Co. General Automotive Parts Corp.	250.2	1981
Retail		
1. Private Group R.H. Macy & Co.	3,484.7	1985
2. Mobil Corp. Marcor, Inc.	1,687.2	1974 & 1976
3. Private Group Jack Eckerd Corp.	1,181.7	1985

Buyer Seller	Price Paid (millions)	Year Announced
Banking & Finance		
1. Wachovia Corp. First Atlanta Corp.	$ 1,845.3	1985
2. Manufacturers Hanover Corp. RCA Corp. (C.I.T. Financial Corp.)	1,510.0	1983
3. RCA Corp. C.I.T. Financial Corp.	1,350.0	1979
Insurance		
1. Connecticut General Corp. INA Corp.	4,211.7	1981
2. American General Corp. NLT Corp.	1,593.7	1982
3. Xerox Corp. Crum & Forster	1,572.3	1982
Real Estate		
1. Private-Donald Brent Irvine Co. (86%)	500.0	1983
2. Olympia & York Development Ltd.—Canada National Kinney Corp. (9 office buildings)	350.0	1976
3. Trammell Crow Co. Jack A. Benaroya Co.	300.0	1984
Brokerage, Investment & Management Consulting Services		
1. American Express Co. Shearson Loeb Rhoades, Inc.	943.0	1981
2. American Express Co. Alleghany Corp. (Investors Diversified Services, Inc.)	829.1	1983
3. Sears Roebuck & Co. Dean Witter Reynolds Organization, Inc.	607.0	1981
Computer Software, Supplies & Services		
1. General Motors Corp. Electronic Data Systems Corp.	2,545.6	1984
2. Dow Jones & Co. and Oklahoma Publishing Co. Telerate, Inc. (52%)	459.8	1985
3. McDonnell Douglas Corp. Tymshare, Inc.	305.7	1984
Construction Contractors & Engineering Services		
1. Boise-Cascade Corp. Ebasco Industries, Inc.	598.4	1969
2. Private Group Parsons Corp. (remaining 71%)	546.9	1984
3. Natomas Co. Magma Power Co.	449.5	1981

Buyer / Seller	Price Paid (millions)	Year Announced
Energy Services		
1. Kuwait Petroleum Corp.—Kuwait Santa Fe International Corp.	$ 2,486.1	1981
2. Schlumberger, Ltd. Sedco, Inc.	1,055.9	1984
3. Aetna Life & Casualty Co. Geosource, Inc. (remaining 71%)	609.7	1982
Health Services		
1. American Medical International, Inc. Lifemark Corp.	1,144.5	1983
2. Hospital Corp. of America INA Corp. (Hospital Affiliates International)	650.0	1981
3. Private Group—led by W. R. Grace & Co. National Medical Care, Inc.	351.6	1984
Leisure & Entertainment		
1. Turner Broadcasting System, Inc. MGM/UA Entertainment Co.	1,507.0	1985
2. Private—Marvin Davis Twentieth Century-Fox Film Corp.	683.4	1979
3. Private Group Denny's Inc.	663.7	1984
Miscellaneous Services		
1. Dun & Bradstreet Corp. A. C. Nielsen Co.	1,571.2	1984
2. Marmon Group TransUnion Corp.	683.5	1980
3. UAL, Inc. RCA Corp. (Hertz Corp.)	587.5	1985
Conglomerate		
1. General Electric Co. RCA Corp.	5,965.1	1985
2. Kraft, Inc. Dart Industries, Inc.	2,400.0	1980
3. Allied Corp. Bendix Corp.	1,334.8	1982

MERGERSTAT® INDUSTRY ANALYSIS

The following statistics are provided for each of the 50 seller-based W. T. Grimm & Co. industry classifications:

Net Announcements — the total number of completed or pending transactions as of 12/31/85.

VALUATION OF TRANSACTIONS

Price Paid — the total dollar value paid expressed in millions of dollars.

Base — the number of transactions disclosing a purchase price, i.e., the base on which total dollar value was tabulated.

Price/Earnings Paid — the average P/E paid.

Base — the number of transactions disclosing the seller's earnings, i.e., the base on which average P/E paid was computed.

Percent Premium Paid — the average premium paid over sellers' market prices five business days prior to the initial announcement.

Base — the number of transactions where a premium paid over market was computed.

METHOD OF PAYMENT

Cash — the number of transactions where cash was used as payment.

Stock — the number of transactions where stock was used as payment.

Combination — the number of transactions where a combination of cash, stock and/or debt was used.

Debt — the number of transactions where straight and/or convertible debt was used.

Divestitures — the number of divisional/partial sales; divestiture figure is included in net announcements.

Foreign Buyers — the number of transactions involving foreign buyers.

FULL YEAR — 1985

Industry Classification of Seller	Net Announcements	VALUATION OF TRANSACTIONS						METHOD OF PAYMENT				Divestitures	Number Foreign Buyers
		Price Paid (Millions)	Base	Price/Earnings Paid	Base	Percent Premium Paid	Base	Cash	Stock	Combination	Debt		
Agricultural Production	12	$ 44.4	2	—	—	12.5%	1	1	—	—	—	6	2
Food Processing	82	11,837.8	29	14.7x	9	27.7	12	21	4	13	—	36	8
Beverages	23	1,017.3	6	14.5	3	27.4	2	2	—	5	—	8	2
Apparel	35	2,086.3	12	20.3	6	21.6	9	7	2	5	—	10	—
Textiles	15	720.0	10	13.5	3	11.7	4	5	—	4	—	8	—
Timber & Forest Products	4	850.6	3	20.5	1	36.8	1	1	—	1	—	1	1
Paper	20	830.8	10	12.0	4	30.1	3	11	—	3	—	15	3
Packaging & Containers	27	1,063.5	12	10.8	3	13.1	2	10	3	3	—	15	4
Furniture	16	483.1	8	14.4	2	9.9	1	6	2	2	—	2	—
Building Products & Materials	29	750.4	16	16.5	5	31.6	6	11	2	4	—	14	2
Household Goods	28	1,295.8	10	13.7	4	32.5	4	10	1	1	—	15	1
Printing & Publishing	97	3,474.6	31	20.4	2	17.0	1	22	4	3	—	43	13
Chemicals, Paints & Coatings	86	8,568.0	29	13.3	2	23.2	8	28	5	2	—	53	20
Drugs, Medical Supplies & Equipment	104	10,867.3	44	21.1	8	36.2	10	24	12	21	1	42	12
Toiletries & Cosmetics	9	2,043.8	2	18.6	2	62.7	2	1	1	1	—	3	2
Plastics & Rubber	36	1,181.2	13	15.6	5	35.9	5	11	1	4	—	10	3
Stone, Clay & Glass	19	1,805.6	12	11.1	1	50.2	1	8	—	3	—	10	5
Primary Metal Processing	43	1,575.9	16	18.2	1	37.6	3	13	1	6	—	26	3
Fabricated Metal Products	60	581.3	19	15.4	5	22.3	4	15	—	8	1	31	2
Industrial & Farm Machinery/Equipment	108	2,374.2	28	19.7	8	30.6	8	26	7	8	—	65	7
Construction, Mining & Oil Field Machinery/Equipment	7	41.4	4	—	—	—	—	3	1	1	—	5	1
Valves, Pumps & Hydraulics	28	481.6	10	—	—	—	—	2	—	2	—	16	—
Autos & Trucks	13	56.9	3	10.2	1	—	—	2	1	2	—	3	2
Automotive Products & Accessories	28	911.0	10	10.2	2	47.0	3	6	—	3	—	14	2
Electrical Equipment	67	1,785.1	26	17.2	6	61.2	7	20	6	13	—	29	6
Office Equipment & Computer Hardware	61	996.0	34	14.2	5	32.1	8	16	17	5	—	19	5

(Continued on following page)

FULL YEAR — 1985 (Continued)

Industry Classification of Seller	Net Announcements	VALUATION OF TRANSACTIONS						METHOD OF PAYMENT				Divestitures	Number Foreign Buyers
		Price Paid (Millions)	Base	Price/Earnings Paid	Base	Percent Premium Paid	Base	Cash	Stock	Combination	Debt		
Electronics	64	$ 6,899.2	31	14.8x	9	54.1%	7	18	8	7	—	23	4
Aerospace, Aircraft & Defense	33	7,358.2	15	26.2	7	35.8	5	8	2	5	—	11	2
Instruments & Photographic Equipment	74	308.1	28	18.3	5	28.5	8	20	8	8	—	33	6
Toys & Recreational Products	26	329.6	11	9.1	1	—	—	6	3	7	—	10	1
Miscellaneous Manufacturing	38	369.9	13	25.0	1	50.0	1	8	3	5	—	19	2
Oil & Gas	86	23,160.1	62	18.2	13	54.9	21	29	21	14	—	40	8
Mining & Minerals	16	355.6	7	6.8	1	—	—	3	5	2	—	11	2
Transportation	48	2,876.9	19	27.3	9	50.6	10	9	2	7	—	13	1
Communications	34	1,147.4	15	21.8	5	15.8	2	7	7	3	—	17	—
Broadcasting	93	15,012.9	65	23.0	3	83.4	6	25	3	12	—	75	1
Electric, Gas, Water & Sanitary Services	22	5,592.9	14	15.6	6	45.5	3	6	3	2	—	8	1
Wholesale & Distribution	194	1,910.1	70	14.7	15	35.4	15	52	18	24	—	69	10
Retail	136	10,029.7	69	17.9	22	31.7	28	44	8	17	—	61	9
Banking & Finance	381	14,036.9	225	16.1	167	27.3	53	71	101	59	—	67	9
Insurance	67	2,694.0	36	12.4	10	50.1	5	18	9	4	—	39	6
Real Estate	44	1,017.7	13	9.4	3	41.6	5	6	3	1	—	12	—
Brokerage, Investment & Management Consulting Services	49	579.1	12	—	—	24.9	1	6	2	4	2	25	4
Computer Software, Supplies & Services	150	2,139.1	53	32.1	14	30.8	14	32	18	15	—	56	5
Construction Contractors & Engineering Services	41	713.3	21	16.5	10	28.4	9	8	2	9	1	12	3
Energy Services	16	275.5	8	—	—	—	—	5	2	2	—	10	1
Health Services	64	880.9	31	47.5	3	28.1	3	16	9	15	—	19	1
Leisure & Entertainment	72	5,640.3	37	27.9	16	65.2	15	19	16	10	—	29	3
Miscellaneous Services	182	2,414.6	53	22.8	9	83.3	6	34	21	19	—	59	11
Conglomerate	14	16,301.6	13	20.5	10	23.1	9	10	—	3	—	1	1
Totals & Averages	3,001	$179,767.5	1,320	18.0x	427	37.1%	331	742	344	377	5	1,218	197

MERGERSTAT INDUSTRY CLASSIFICATIONS

The WTG industry classifications are based on the Standard Industrial Classification (S.I.C.) code numbers. For the convenience of subscribers, we list below the WTG industry categories along with the corresponding S.I.C. code numbers.

WTG Mergerstat Industry	S.I.C. Code Numbers
01—Agricultural Production	0111-0783, 0900s, 2100s
02—Food Processing	2011-2079, 2087-2099
03—Beverages	2082-2086
04—Apparel	2311-2389, 3021, 3131-3172
05—Textiles	2211-2299, 2393, 2395, 2397, 2399
06—Timber & Forest Products	2421-2431, 2435-2439, 2491, 2492, 0800s
07—Paper	2611-2649
08—Packaging & Containers	2441, 2448, 2449, 2651-2655, 3221, 3411
09—Furniture	2434, 2500s
10—Building Products & Materials	2451, 2452, 2661, 3442, 3446, 3448, 3996
11—Household Goods	2391, 2392, 2841, 2842, 3261, 3262, 3263, 3[illegible], 3631-3636, 3639, 3651, 3914
12—Printing & Publishing	2700s
13—Chemicals, Paints & Coatings	2812-2821, 2824, 2843, 2851-2899
14—Drugs, Medical Supplies & Equipment	2830s, 3693, 3841-3851
15—Toiletries & Cosmetics	2844
16—Plastics & Rubber	2822, 2823, 3031-3079
17—Stone, Clay & Glass	3211, 3229-3259, 3269-3299, 1422, 1423, 1429, 1442, 1446
18—Primary Metal Processing	3300s
19—Fabricated Metal Products	3412, 3423-3441, 3443, 3444, 3449-3463, 3466-3493, 3495-3499
20—Industrial & Farm Equipment & Machinery	3511, 3519, 3523, 3524, 3534-3559, 3562-3569, 3581-3585, 3589, 3599
21—Construction, Mining & Oil Field Machinery & Equipment	3531, 3532, 3533
22—Valves, Pumps & Hydraulics	3494, 3561, 3586
23—Autos & Trucks	3711, 3713, 3715
24—Automotive Products & Accessories	2396, 3011, 3465, 3592, 3714
25—Electrical Equipment	3264, 3612-3629, 3641-3648, 3661, 3662, 3691, 3692, 3694, 3699
26—Office Equipment & Computer Hardware	3570s
27—Electronics	3671-3679
28—Aerospace, Aircraft & Defense	3721-3728, 3761-3769
29—Instruments & Photographic Equipment	3811-3829, 3861
30—Toys & Recreational Products	3652, 3732, 3751, 3792, 3931-3949
31—Miscellaneous Manufacturing	3911, 3915, 3951-3995, 3999
32—Oil & Gas	1311, 1321, 2911, 2992, 2999, 4612, 4613, 4619
33—Mining & Minerals	1011-1213, 1452-1499
34—Transportation	4011-4214, 4411-4583, 4712
35—Communications	4811, 4821, 4899
36—Broadcasting	4832, 4833
37—Electric, Gas, Water & Sanitary Services	4900s
38—Wholesale & Distribution	5000s, 5100s
39—Retail	5200s, 5300s, 5400s, 5500s, 5600s, 5700s, 5900s
40—Banking & Finance	6000s, 6100s
41—Insurance	6300s, 6411
42—Real Estate	6500s
43—Brokerage, Investment & Management Consulting Services	6200s, 6700s, 7392, 8931
44—Computer Software, Supplies & Services	7372, 7374, 7379
45—Construction Contractors & Engineering Services	1500s, 1600s, 1700s, 2411, 8911
46—Energy Services	1381, 1382, 1389
47—Health Services	8000s
48—Leisure & Entertainment	5812, 5813, 7000s, 7313, 7800s, 7900s
49—Miscellaneous Services	7200s, 7311, 7312, 7319, 7321-7369, 7391, 7393-7399, 7500s, 7600s, 8111, 8200s, 8300s, 8400s, 8600s, 8922
50—Conglomerate	diversified in three or more areas